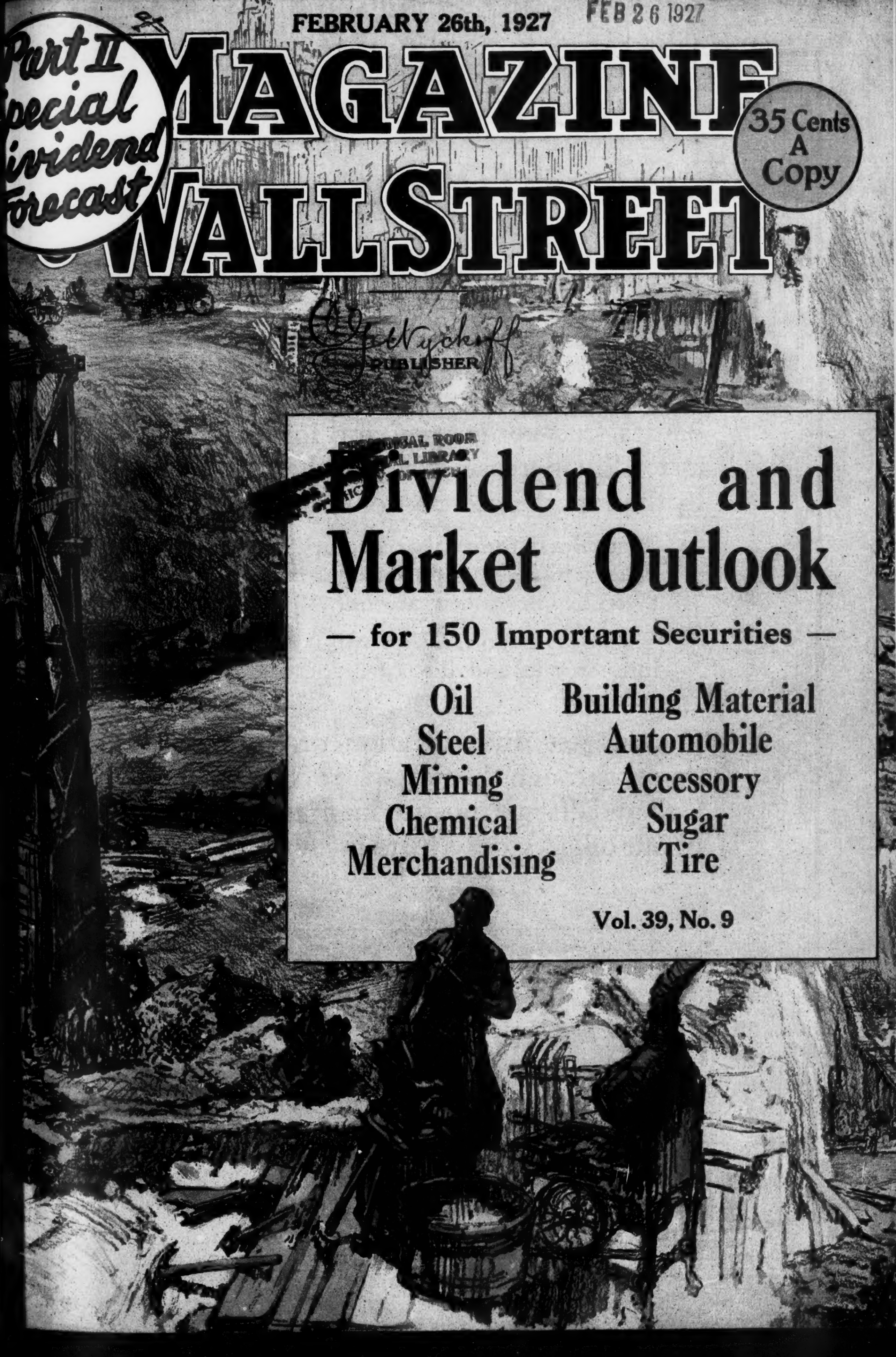

FEBRUARY 26th, 1927

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Vol. 39, No. 9

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Feb. 26 M.

WITH THE EDITORS

How Is The Investor To Tell?

A CURIOUS sidelight is thrown on the problem of the investor by the following recently reported conversation between Charles M. Schwab and a newspaper reporter in one of the N. Y. dailies:

"'That was a pretty good report that your Pneumatic Tool sent out this morning,' said the writer.

"'Well,' said Mr. Schwab, 'it is better than it looks. There are two things you want to remember about Pneumatic Tool. One thing is that it has an unknown dividend record of over twenty years and it hasn't had a red letter in its balance sheet in all that time.

"'Now here's a little secret,' said Mr. Schwab. 'The report shows that the stock has earned a little over $12 a share. As a matter of fact it has earned over $20'."

According to this statement, the Chicago Pneumatic Tool Company of which Mr. Schwab is reputed to own the controlling interest, showed in its official report for 1926, $12 a share but as Mr. Schwab is reported to have engagingly stated, earnings of the company in reality were much greater than actually disclosed.

What the public would like to know—and perhaps the Bureau of Internal Revenue as well—is why did the Chicago Pneumatic Tool Company disclose earnings of only $12 a share when, according to its Chairman, earnings were some 50% larger. If, as one may logically infer from the remark attributed to Mr. Schwab, the management did not desire to report the actual rate of earnings, why did Mr. Schwab within only a brief period after the publishing of the official figures, take the public to his breast and tell them the whole story? If it was the purpose to report the true rate of earnings, why did not the official statement disclose the real situation?

Of course, unsympathetic persons have been known in cases like this to declare that the answer may be found in the market position of the stock. According to current impressions, Chicago Pneumatic Tool stock is harboring a rather uneasy short interest. Mr. Schwab's statement, regardless of the manner in which it has been variously interpreted, could not fail but present the unhappy short interest with a legitimate excuse to visit a heart specialist. For at the present price of 130, Chicago Pneumatic Tool stock would not be precisely dear if the company were actually earning $20 a share with prospects of further large earnings. If, on the other hand, the company is right and the earnings after all are but $12 a share, the stock would probably not be worth the present price. However, there is nothing like a little dash of mystery to put a stock up.

Still, the investor would like to know whether Mr. Schwab knew more than the company when he said the earnings were really nearer $20 a share than the $12 actually published. On the other hand, if the *investor* really knew it might make a considerable difference to the market position of the stock and that of course would never do. Perhaps the moral is: If you can't tell, don't buy—or sell.

In the Next Issue

Prospective Stock Dividend Payers

DURING 1925 and 1926, many important companies either declared large stock dividends or split their shares. Their investors, consequently, reaped large benefits either through increased dividends or enhancement in market value, generally both. There are still a number of important companies which are expected to disburse stock dividends or split their shares. Of these there are about twelve in number, ranking among the great corporations of the United States. We shall name these stocks and analyze their companies in full. This feature starts in our next issue and will be continued in the following number. Readers will probably agree that this is one of the most important features that has ever appeared in a financial publication.

The MAGAZINE of WALL STREET

C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Railroad Valuations and Public Speculation — Merger Rumors—Business Conditions—Bonds React —Federal and Municipal Debts—Market Prospect

WITHIN several months, the United States Supreme Court will hand down a decision which will have a momentous effect on the railroads. The decision will involve the principle of railroad valuations upon which the entire rate structure is based. According to the Railway Transportation Act of 1920, rates are based on the valuation assigned to the property of each road, such valuations to be computed by the Interstate Commerce Commission. With very few exceptions thus far, valuations determined by this body have been considerably less than that claimed by the roads. The entire question revolves around the precise determination of what may be considered a "fair" valuation. The difference between the interpretation of the Interstate Commerce Commission and the railroads consists principally of whether the roads are to be valued on the basis of actual cost or on their replacement value. If the former, the valuations of the roads will be lower by several billions than the figures they claim; if the latter, they will gain to the extent of this figure.

If the same precedent is followed as in the case of the public utility rate cases recently settled by the Supreme Court, it is likely that the rails will win their case. In that event, the influence on railroad share values would be very great. In fact, there are reasons for believing that the current strength in these shares is due principally to anticipation of a favorable decision.

It also seems likely that several of the recently hurried acquisitions of small roads by larger ones may be due to the desire of the latter to capitalize a possible increase in the valuation basis, in anticipation of the actual event. On this basis, it would pay large roads to acquire financially weak but strategically strong small roads for, in the event of a favorable decision by the Supreme Court, the value of their new investments would be measurably increased.

In any event, the situation is fraught with great possibilities. That it lends itself to broad speculation in rail shares seems already beyond dispute.

MERGERS THE railroads are not the only center of interest insofar as possible mergers are concerned. With speculative appetites whetted by the rail share situation, ambitious speculators are commencing to turn to other fields in which merger possibilities may be said to exist. Undoubtedly, in the process a great many mergers will be rumored whose only existence will be in the fertile imaginations of their creators. This, however, will not prevent foolish speculators from "investing" their funds in stocks whose only merit consists of a plausible explanation that they are being acquired for "merger" purposes. Incidentally, one is prompted to ask why a stock with merger rumors attached should, in the ordinary run of events, be more valuable than the same stock without such decorations. This reminds us of a story now being published in some of the dailies to the effect that a big speculation is expected in the stocks of two companies in the housefurnishing business. It so happens that neither of these com-

panies is in a prosperous condition. Perhaps, the reasoning is that a combination of two weak companies is likely to make one strong company. But the sad truth is that a good many speculators are not really concerned with the logic of a given market situation provided the stock "moves their way."

BUSINESS TODAY THE cross currents which have been witnessed in business for some time are still visible. Railroad car loadings are high but part of the record is due to abnormal shipments of coal in anticipation of a strike on April first. Steel production is slightly off. Demand has tapered off somewhat but buyers are being attracted by growing price concessions. It is important to observe that steel, a basic industry, will probably not match the production of the first few months of 1926 in the same period this year. General business, however, continues active though on a lower plane than during the greater part of 1926. Profits for leading companies are likely to be shaded somewhat during the first quarter of this year.

BONDS REACT THE bond market is giving signs of fatigue and prices have slipped off. It is evident that the speculative activity of January has dwindled. This is a normal development in the market after the year end reinvestment demand has spent itself. The recession, however, will give experienced investors another opportunity to acquire sound issues at favorable prices. The long-range outlook for money is satisfactory and on this basis, bonds may be expected to work higher within the year, even though for the present they show signs of recession.

FEDERAL INDEBTEDNESS ANALYSIS of Federal and municipal debt figures casts an interesting light on the national economic state. Since 1919 the Federal debt has declined from 25.8 billions to 19.1 billions in 1926. At the same time, municipal debts increased from 6 to 12.2 billions. At first glance the situation would seem to reflect on our methods of municipal financing. It must be borne in mind, however, that the Federal debt represented in origin an emergency situation; hence, it is logical that this debt be retired as quickly as possible since it was not productive. On the other hand, municipal financing representing in large degree such improvements as roads, bridges, tunnels, water systems, drainage, etc., are directly productive. They are thus justified on economic grounds as well as on the ground of public health and welfare. The nation is growing so rapidly and public needs growing in proportion that it is inevitable the volume of public financing increase from year to year. Incidentally, the position of municipal issues is not sufficiently well appreciated. Many of them are obtainable on a 4-4½% basis which is adequate in today's money market. If money reaches a 3½% basis in several years, municipals which now yield in excess of 4% will then be selling considerably higher. Of course, their tax-free measures are not as vital today as formerly. A few years ago, high income taxes made it imperative for wealthy investors to place a large part of their funds in municipals. Taxes are now considerably reduced and the former inducement for investing in municipals does not exist to the old extent. At the same time, even if one ignores the tax-free provisions of municipals, they are still attractive on a straight investment basis for institutional buyers, wealthy investors and even those of more moderate means.

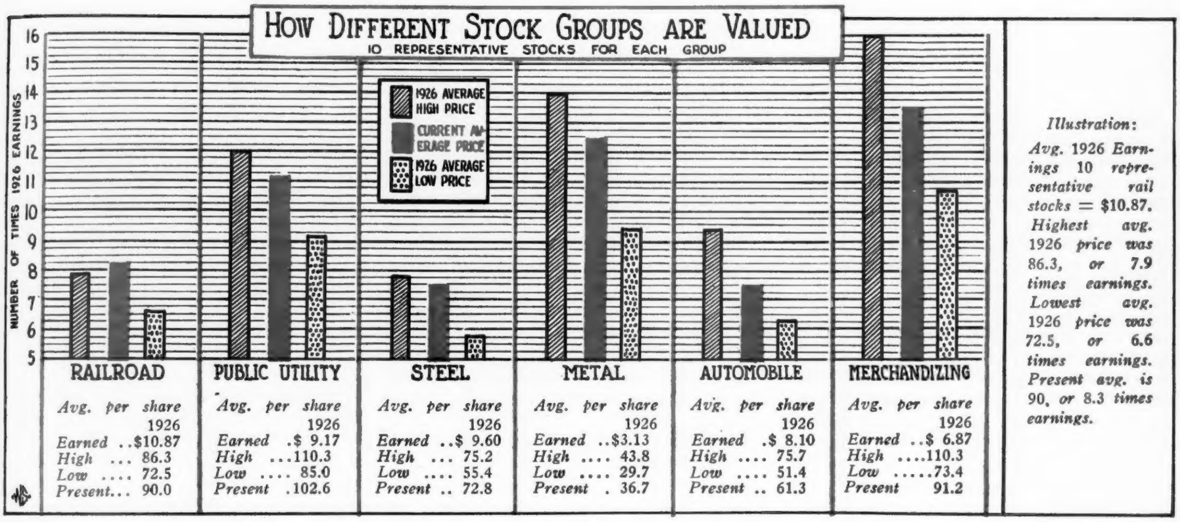
MARKET PROSPECT THE stock market is plainly in a speculative area in which pure investment buying of stocks is playing a negligible part. Public participation has increased greatly, a natural result of the spectacle of explosive forward movements in railroad shares which, for the first time in years, have become the real speculative favorites, taking the place formerly occupied by public utility, merchandising and automobile shares. The large market turnover, exceeding two million shares daily, indicates the present extent of speculative interest. A curious phase of the present rise is that it is concerned comparatively little with the trend of business but rather represents the effects of a strong technical market position based, first, on a large and stubborn short interest and, second, on a revival of speculative appetite among the public. In the past few days, however, the technical position has been weakened somewhat after the extensive rise and the market clearly seems overbought. Normally, this is a situation which invites extensive profit-taking.

Monday, February 21, 1927.

Securities Face Important Test

Influences Which Have Raised Prices Now Tending to Subside—What Is Sound Investment Policy Today?

By E. D. KING



THE American investment world in recent years has been accustomed to thinking of security values in terms of a set of factors functioning in the direction of higher prices. That is, these factors have been interpreted in a manner which inevitably led to placing a high valuation on securities in general. This phenomenon has by no means been confined to securities listed on the New York Stock Exchange. It has made its presence felt in all the securities markets of the country, including the thousands of local issues which are bought and sold privately. The country, in other words, has been bullish and disposed to attribute an increasing value to its securities.

The fundamental factors which have produced this attitude among the public have been chiefly good earnings, high employment and, particularly, a surplus of capital. Of the three factors, the last, as will be shown, has exerted by far the greatest influence in shaping security prices. In fact, the question as to whether the present high level of security prices can be maintained revolves principally around the prospect for continued abundance of investment funds.

Acts As Syphon

The amount of funds available for investment has increased relatively faster than the demand for credit in business. This over-supply has found its way into the investment markets. Though new capital issues have increased year by year, their supply has not quite kept pace with the increase in funds ready for investment. The consequence has been a steady increase in the rate of absorption of bonds attending a relative diminution of the supply with the natural result of an increase in price. This accounts for the material reduction in the yield of sound issues to-day as compared with a few years ago. The problem of bond selection, therefore, has become extremely complicated especially in the past year. Investors are placed in the position of competing with each other, at a time when the supply has been reduced. In the meantime, shelves have been swept practically clear of gilt-edge issues, many of which to-day yield little more than the bank rate. The demand, hence, has been syphoned off into the less desirable issues, still available at reasonable yields. But the investor is compelled to sacrifice something in security in order to obtain the desired higher return than the gilt-edge bond offers.

A Theory Which Does Not Always Work

As the average yield of gilt-edge issues declined, there developed a disposition among investors to rely chiefly on the indicated yield as a barometer of investment rating, the theory being that the lower the yield the sounder the issue. This principle has been rather abused, especially of recent date and it is not uncommon to find among some of the bonds yielding around 5%, a number which could not possibly sell on such a low yield basis were it not for the confusion which now marks the mind of the investor. Under screen of general strength in bonds, a number have been sympathetically influenced to the extent of selling at higher prices than they should. They can only do so as long as the necessity for finding sound issues at reasonable rates remains as acute as at present. Upon the occasion of any noticeable decline in funds available for investment, many of these issues will inevitably seek lower levels.

This naturally includes that rather large list of bonds issued in recent years which are in reality bonds in name only but which, under strict investment tests, turn out no better than second and third-rate preferred stocks. As long as business holds up and the surplus of investment funds remains abundant, these issues are likely to share in the general appreciation of the sounder issues but the first sign of stringency in the money market or the first indication of prospects for lower earnings, would be followed by a decline in this type of issue.

It is a commonplace, therefore, that the supply of investment funds will largely determine the trend of securities. A decline in available capital brings about high money rates and a decline in security prices. An increase in supply brings about low money rates and higher security prices.

Specific Situation as to Fixed-Income Bearing Issues

The effects, of course, are more easily noted in the price levels of fixed-income bearing securities such as bonds, principally, and preferred stocks. Under present and prospective conditions in the money market, the following classes of securities should sell at

around the yields which are indicated:

For Income Only

Gilt-edge bonds, 4-4½%
Gilt-edge preferreds, 5-5½%

For Income and Appreciation

Sound Bonds, 5-5½%
Sound Preferreds, 6%

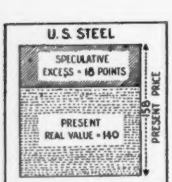
For Appreciation Mainly

Medium-grade bonds, 5¾% and up
Speculative bonds, 6% and up
Medium-grade preferreds, 6¼-6¾%
Speculative preferreds, 7% and up

By gilt-edge bonds, we mean that class representing issues "legal" for investment by institutions such as savings banks, insurance companies and fiduciary organizations.

By gilt-edge preferreds, we mean those which have earned their dividends at least from three to four times over in the past five years.

By sound bonds, we mean generally those not "legal" for investment but entirely secure as to income and principal by virtue of strong financial position and record of earnings over a number of years. New issues may also fall in this group provided earnings would have covered bond interest by a margin of at least 2.5 times, assuming the bonds to have been outstanding during the past three years.



Steel is worth 18 *points less than current price.*

By sound preferred stocks, we mean those which have earned their dividends at least 2.5 times over in the past five years.

By medium-grade bonds, we mean principally those which during the past three years, except new issues, have covered their interest requirements at least twice over.

By speculative bonds, we mean the entire group of convertible bonds, bonds with warrants; and those bonds which have been able to earn only a slight margin over interest.

By medium-grade preferreds, we mean those in industries which are essentially speculative and which represent companies in fair financial conditions whose earnings have been on the average about twice dividend requirements.

By speculative preferreds, we mean those about which there is some doubt as to permanency of dividend payment.

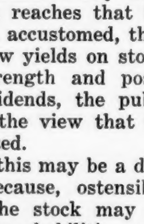
The investor might find it useful to check over his various bonds and preferreds, determine in which of the above categories they fall, and then see how their yield compares with those noted in the table. It will become apparent in the case of many of these issues that they are selling out of line with the groups to which they belong and that a profitable opportunity for switching has presented itself.

So far as common stocks are concerned, the influence of money rates and amount of available investment capital is also important over a broad period. In the shorter term, however, these factors are not of such consequence as is generally imagined. Important market advances have taken place in periods of rising interest rates and downward moves have taken place in periods of declining interest rates. Still, the major cycle of money rates will determine the duration of the broad advance or decline. During the past few years, the trend of money has mainly been downward. During this period the trend of stocks has mainly been upward. Hence, we can say that in a broad way the bull market in stocks has been accompanied by extreme availability of funds with which to speculate.

In much the same way, however, that many bonds have been forced upward to unwarranted prices, based chiefly on low money rates, so has the market in stocks benefited to an inordinate degree from this same condition. Abundance of investment funds over a long period has accustomed the public not only to extremely low yields on bonds but also to low yields on stocks.

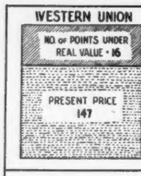
This has resulted in a situation wherein a possibly false sense of value has connected itself to the purchase of securities. The public, of course, is not in a position to determine the actual value of a stock. It must take the current market appraisal into consideration, and then decide whether or not to buy. If it has already been educated to the point where a 5% yield on a stock is considered sufficient, it has no other option than to buy when the yield on a stock reaches that figure. Having become accustomed, then, to the theory that low yields on stocks indicate unusual strength and possibly, later, more dividends, the public becomes inclined to the view that the high price is warranted.

Broadly speaking, this may be a dangerous viewpoint because, ostensibly, the high price of the stock may already include all the probabilities as to dividends, rights, etc., on which premise the investor bought the stock. In other words, to use a Wall Street expression, the stock may have already discounted its prospects. If the investor is sufficiently experienced to appreciate the significance of this situation and refrains from buying, it devolves upon him to select an issue possibly less sound than the one he has discarded from consideration. This issue normally will be selected on the ground of a higher return than that obtainable in the first-rank class of stocks but in accepting this higher return, the investor may have lost something by way of security.



Atchison is worth 10 points more than current price.

The dilemma before the stock purchaser these days then is no less acute than that confronting the bond investor. It is patent that there is something radically complex in a situation which compels the investor to sacrifice yield to obtain safety, or to sacrifice safety to obtain yield.



Western Union is worth 16 *points more than current price.*

What is wrong is that the security markets are out of joint. Their present high position represents the influence of factors which may still be operating but which have already been largely discounted in the price of securities.

Even if we fall back on the more modern conception of the stock market as a combination of separate industrial groups, moving independently we shall find that there are points beyond which stocks cannot sell, regardless of prospects. When stocks reach that point, a new theory of value has to be set up, the old one proving inadequate. For example, in 1926, mail order, and chain store and department store stocks —the mercantile group—sold on a basis regardless of realities. The public had been educated to think of these companies as sources of ever-growing earnings and that there was no limit to the price of their stocks. Early in 1926, they reached such fantastic levels that it was by no means uncommon for a stock belonging to this group to sell at from 15 to 20 times its last annual earnings. This meant that it would take many years for the companies to increase their earnings to a point which would justify the then current high prices. The inevitable occurred and the mercantile stocks broke violently so that at their extreme bottom they sold at only 10 to 11 times their earnings, and to-day their average is about 13 times earnings, which is a far more reasonable figure than a year ago.

It is evident that when mercantile stocks were driven up to their fantastically high prices of last February, all sense of real value had been eliminated. A readjustment had to take place and it did. The same thing has happened to public utility stocks, automobile issues and others which reached inflated prices far more because there were abundant funds to facilitate speculation than because these prices were intrinsically warranted.

The investor must remember that in a period of rising enthusiasm for securities, there is a distinct tendency to over-capitalize optimistic prospects. A film covers the stock market through which it is difficult to see. It is in such a period that it is dangerous to invest. The high prices which may be reached at best are only temporary. Inevitably, the readjustment will pare off the price to a point nearer real value. Every stock has two prices: one the price approximating real value and the other its speculative value. The latter is purely accidental and temporary. The actual value of a stock may

be 125 but it may sell at 175 owing to a combination of artificial factors, such as a large short interest, manipulation based on merger talk or increased dividend. It cannot for long sell at the inflated price, however.

In the long run, stocks sell in relation to dividends and earnings. Gossip and street talk may safely be ignored. These are immaterial to the real situation. There is what may be called a natural gravity in investments. This is the force which prevents stocks from selling permanently above their value or under their value. They may do either but for only very brief periods.

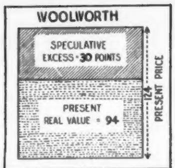
Hence, if the investor is relying on a cheap money market for a continued rise in his stocks, he may be doomed to disappointment, for regardless of the trend of money, a given stock will sooner or later gravitate to its proper level around which it will fluctuate for a comparatively long period. In the present case, the money market is easy, funds are abundant and inducements are held out for speculation. This is particularly the time for investors to scan their holdings with an eye not so much to general prospects of the market as to the actual intrinsic situation of the particular stock in regard to dividends and earnings.

Probably more money has been lost in one year in Wall Street by buying over-inflated securities of sound companies as a result of wild speculation in stocks generally than has been sunk in worthless promotions in the past five years.

Market Values of Different Groups

We have published herewith a graph which shows the relation between six leading market groups—in each case based on ten representative, listed stocks—in three distinct periods. The graph is worth studying because it indicates the basis on which the market values stocks in the long run. For example, it will be seen that mercantile stocks sell higher proportionately than public utilities, that steels and motors sell normally lower than any of the other four groups represented. This is not merely true of to-day's prices but under practically any conditions. This is to say, the basis of value of different stocks depends to a large degree on the industry to which they belong. Stocks of the same earning power but not belonging to the same industry, even though they pay the same dividend, do not necessarily sell at the same price. There is a vast difference in valuing stocks representing heavily capitalized industries, such as railroad, steel and automobile, and those representing "earning power" industries such as chain stores, mail order houses, soft drink concerns, etc.

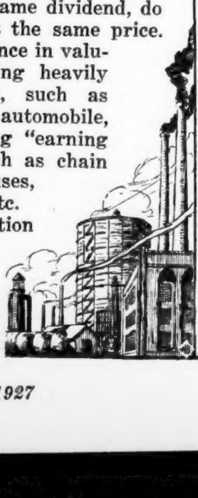
This basis of valuation is good at any period and may be safely relied on. For example in the six groups depicted on the graph we find that the mercantile stocks are now selling on an average at 13 times their 1926 earnings; metals, 12.4 times their earnings; public utilities, 11.1 times earnings, and railroads, steel and automobiles, 8.3, 7.6 and 7.5 times earnings, respectively. According to this table, a mercantile stock should sell higher than an automobile stock, even though dividends and earnings may be the same. A railroad stock is valued higher than a steel stock. Metal stocks, strange to say, are valued nearly as high as mercantile issues. At the same time, a public utility stock is worth more than a railroad stock.



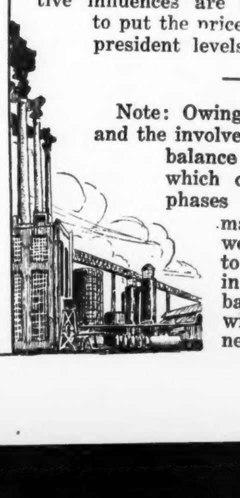
Woolworth is worth 30 points less than the current price.

Yet it will be noticed that certain groups are changing their relative position. Thus railroad stocks are valued higher to-day than last year; mercantile stocks have lost ground. Public utilities which were deflated last Spring have made a surprising recovery. Automobile stocks have lost ground while metals have gained. This shifting of position represents a long series of internal readjustments in the market. It will be remembered that all this has occurred despite the fact that the factor of low money rates operated on all security groups. Hence, money rates cannot in the long run have a permanent influence on stocks, the price of which must sooner or later approximate real value.

It is important to recognize the effect of this situation because it will serve to clean up a general misconception as to market trend. Cheap money rates attending abundant funds available for investment as stated above do not create stock values, though they may influence them for a time. Broadly speaking, they serve principally as a base for speculative operations. Too little emphasis is given to the factor of stock market speculation as an end in itself, without painstaking regard to the realities of a given stock situation. With perhaps hundreds of thousands of persons, if not more, constantly interested in market fluctuations, a regular market has been created as much for speculation as for investment.



. . . "Abundance of investment funds over a long period has accustomed the public not only to extremely low yields on bonds but also to low yields on stocks. This has resulted in a situation wherein a possibly false sense of values has connected itself to the purchase of securities."



It is not the intention of this article to dispute the proper place of speculation in the economic scheme of things. Nevertheless, it is important to recognize that speculation *per se* gives rise to a set of conditions which operate directly in the creation of prices, and that from the broader viewpoint these conditions may arise as a result of temporary or artificial situations without any real relation to stock values. This will explain why the stock of a company may fluctuate thirty, forty or fifty points a month without any perceptible change at all in the company's affairs. It will also explain why the market, on the whole, over the short range is essentially illogical.

It follows then that the influence of speculation on stock prices must be an inherent feature. Under these circumstances, the price of stocks almost under any conditions, except in a serious decline, when they reach a point close to true value, will be speculative. That is a certain portion of the price of the stock will be speculative, the remainder constituting true value. For example, Woolworth, as a mercantile stock under current conditions should sell at about 13 times earnings. In companies of this type, earnings, rather than assets, remain the true basis of valuation. Last year, the company earned on the present outstanding stock about \$7.20 a share. Multiplying this figure by 13.2, we reach a figure of about 94 as a reasonable price for this stock. At this price, it would yield on its \$5 dividend, 5.3%, which is not quite adequate but sufficiently satisfactory, since the company undoubtedly in a year or so will be able to raise the dividend to \$6, which would increase the yield to slightly over 6%. The price of the stock, however, is now 124, or about 30 points above real value. This difference of 30 points represents speculative anticipation of reasonable prospects for the company's growth in earnings, but the present price seems to have more than taken a probable increase in earnings into consideration. Hence, we should say that Woolworth common is entirely too high and must eventually during the coming year sell considerably lower even though speculative influences are sufficiently strong to put the price even higher than president levels.

Note: Owing to lack of space and the involved character of the balance of this article, which covers detailed phases of the current market position, we are compelled to publish the article in two sections, the balance of which will appear in our next issue.

Can We Work Less and Earn More?

Does American Industry and Labor Want the 5-Day Week?—Results of The Magazine of Wall Street's Questionnaire Addressed to 4000 Leaders

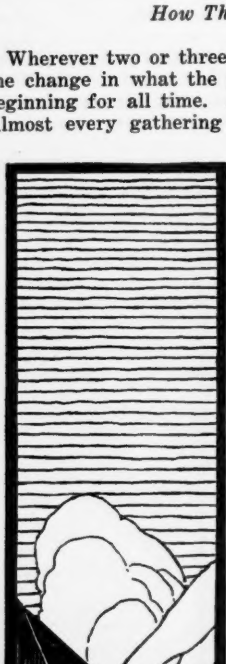
By
THEODORE M. KNAPPEN

SHALL it be?—"Remember the Sabbath day, to keep it holy. *Five* days shalt thou labour, and do all thy work."

In these latter days the prophet Henry Ford has raised himself up to proclaim an amendment to the fourth commandment. And the American Federation is going into all parts of the land to preach the new commandment.

How They Feel About It

Wherever two or three be gathered together they talk of the change in what the pious believe was ordained at the beginning for all time. And the talk is not always sweet. Almost every gathering of industrial employers that debates the five-day week proposal informally adopts resolutions to the effect that the Detroit prophet has hurled a colossal monkey-wrench into the American industrial machine—that eighth wonder of the world. Some say in anger that the industrial organization that has already brought to the American people the most general and generous distribution of goods mankind has ever known, associated with an unparalleled diffusion of contentment and well-being among employes, is now threatened with internal disruption.



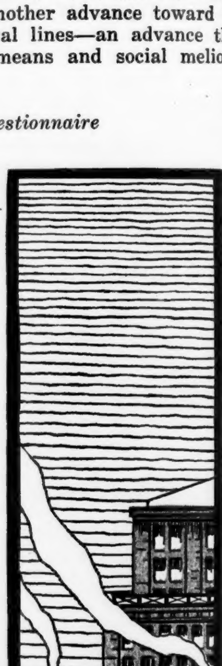
American industry, they say, just as it begins to feel the competition of recuperated Europe, determined to work hard and far more efficiently than ever, is to be undermined by its own people. To make an automotive holiday, they moan, Henry Ford is ready to wreck the fair structure that comes nearer to economic perfection than any creation of men since they immemorially began the conquest of nature.

On the other hand, organized labor, while roundly objurgating the prophet who knows not the union, proclaims his teaching as indisputable. The five-day week has been hailed by the American Federation of Labor as the next great forward step in the economic enfranchisement of the masses. It is greeted as the natural and inevitable evolution of that very American system its opponents say it will wreck. Far from being death from within, they represent it as an invigorator of the American industrial system, as well as its vindicator.

The five-day week, they say, will bring a new joy and will to workers, will be another step toward the solidarity of the American social structure, a powerful instiller of esprit de corps; and will result in a profuse flowering of creative energy and industrial efficiency that will yield rich dividends for employer and employe alike. Under its benign influence, we are told, the nation that above all others is without rigid class distinctions, almost free from subversive doctrine, and singularly united in its economic methods and objectives will make another advance toward the millennium on the most practical lines—an advance that will unite improved economic means and social melioration.

Response to Questionnaire

How does opinion set regarding the five-day week? Is labor a unit for it? Are the employers unitedly against it? What do other elements of the community think about it? Is it really on the march, or is it just an ephemeral episode? Is it merely an interesting topic for academic debate, or is it an insistent demand that the American business world must face and dispose of—possibly after long and bitter struggle? Does it threaten to impair the productiveness of the American industrial machine, restrict production, raise prices, reduce profits, lower wage-earnings, curtail dividends, depreciate investment returns and impair invested capital? These are questions that are of supreme interest to every person who has a stake in American industry.



To throw light on these questions, THE MAGAZINE OF WALL STREET addressed one thousand questionnaires to each of the forces that are the spear-points of the opening struggle — the manufacturers and the leaders of labor. Also a thousand merchants and a thousand bankers were asked to give their views.

The response furnishes by far the most comprehensive indication of vitally interested opinion that has been so far elicited. The four thousand persons or corporations to whom the questions were addressed were selected with a view to covering the country in a representative way, both territorially and economically. Four different sets of questions were used for the four groups consulted. Almost all of the manufacturers addressed are members of the Na-

tional Association of Manufacturers; all of the labor leaders are key men in the American Federation of Labor—in fact the A. F. of L. kindly provided one of its regular lists comprising, as it happens, almost exactly a thousand names; all the bankers are members of the American Bankers Association; all the merchants are proprietors of department stores.

Some Interesting Points About the Answers

Replies were received up to the time of closing this number of the Magazine from almost 20%, which is a remarkably high percentage in such circularizations—where there was no substantial motive for taking the trouble to reply. The *sentiment* of the four groups toward the proposal, as distinguished from present and practical leanings, was sounded in one of each set of questions, although its particular form varied.

The essence of this question is: Is it better in a general social betterment sense to shorten the working week? On that question the four groups voted as noted in the accompanying table.

One of the first aspects of this summary to strike attention is that the two groups most vitally interested at the present stage of the controversy—labor and industry—should reveal the least intellectual concern. Only 15.5% of the manufacturers responded to the questionnaire and only 14.1 of the labor leaders. It is more difficult to explain the latter than the former, for they have taken the offensive and would inferentially be supposed to be eager to take advantage of such a forum as THE MAGAZINE OF WALL STREET offers to publish and urge their views.

It should be noted in this connection that all recipients of the questions were asked to interpret their votes, and not confine themselves, to bare affirmatives and negatives. Virtually all of the 141 labor replies responded to this request—some of them at great length, showing that the publicity opportunity was appreciated by them. Explanation of the relatively small labor vote is probably to be found in suspicion that labor cannot expect a fair deal from any agency which they associate with Wall Street—even though such a deal is firmly pledged, as in this instance. There was also some fear, it appears, that the questions for the labor group were cunningly devised to entrap the unwary and convict labor out of its own mouth. Then, again, the correspondence reveals the effect of organization discipline and solidarity, the feeling being that since the organization has declared for a shorter working week it is certainly not for their officers to question—"theirs but to do or die."

Twenty per cent of the bankers and 25% of the merchants replied. Neither group was so discursive as the labor group, but seemed to reveal more agitation about the short-week proposal than the two groups immediately affected.

The relative indifference of the manufacturers may be attributed to the conviction that the five-day week is at present as academic as the question of the inhabitation of Mars. But, like the labor leaders, the manufacturers who responded to the questions were strongly inclined to argue the matter and support their positions with records of observations and experiences, and social and economic inferences therefrom.

Considering the vote as a whole, it is undoubtedly significant that, while the number of votes contributed by the labor group was 18.8% of the total sentiment vote, the percentage of the latter in favor of the shorter working week was 26. It appears that labor more than makes up from the other groups what it lacks of solidarity in support of its own proposal.

Emphasis should be laid on the fact that it is only the sentiment vote being discussed at the moment. It is there that the short-day makes the best showing; on questions involving practicality, feasibility at present, economic advisability, etc., the new labor slogan does not meet with so much general favor.

Let us turn now to consider in detail the vote of each group.

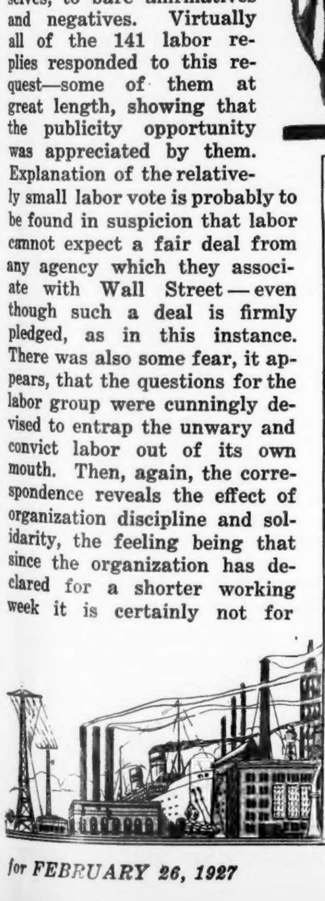
How the Merchants Voted

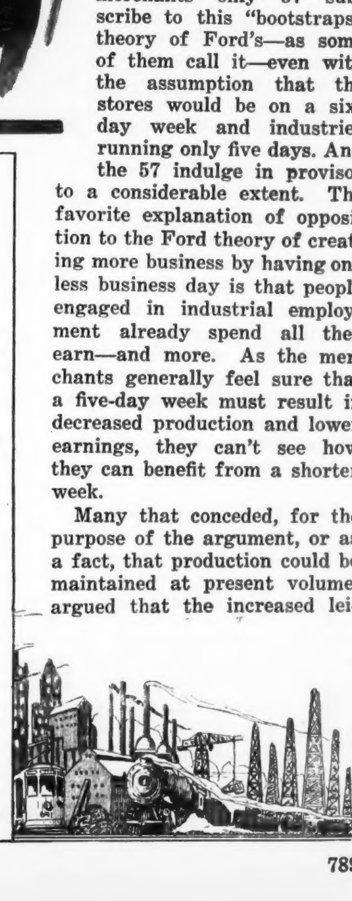
The most sensational feature of the "election" is the utter rejection by the merchants of the fundamental Ford theory that increased leisure means increased consumption, which will eventually force increased production. Out of 242 merchants only 57 subscribe to this "bootstraps" theory of Ford's—as some of them call it—even with the assumption that the stores would be on a six-day week and industries running only five days. And the 57 indulge in provisos to a considerable extent. The favorite explanation of opposition to the Ford theory of creating more business by having one less business day is that people engaged in industrial employment already spend all they earn—and more. As the merchants generally feel sure that a five-day week must result in decreased production and lower earnings, they can't see how they can benefit from a shorter week.

Many that conceded, for the purpose of the argument, or as a fact, that production could be maintained at present volume, argued that the increased lei-

How the Four Groups Voted

For Five Day Week	Labor	Manufacturers	Bankers	Merchants	Grand Total
Number	115	23	12	47	197
Per Cent	81.6	15.0	6.0	20.0	26.0
Against	11	106	174	170	461
Neutral, Ambiguous, etc.	7	13	8	16	44
Silent	8	13	7	9	37
Total	141	155	201	242	739





BANKER'S VOTE

The Bankers' Vote
Total—201

Question	Yes	No	Indeterminate, doubtful, etc.	Silent
1.—From the standpoint of capital use, do you consider it advisable to establish a five-day week—assuming that production would be the same with the same equipment?	25	159	13	4
2.—Abstractly is it better economically for society to continue to increase production than to increase leisure time?	161	23	10	7
3.—Is it better in a general social betterment sense to shorten the working week, even though there be some loss in actual production and a limitation of potential production?	12	174	8	7
4.—Would you now favor or recommend a five-day week for the companies you are interested in or of which you or your bank are financing?	7	185	5	4

LABOR'S VOTE

Labor's Vote
Total—141

Question	Yes	No	Indeterminate, doubtful, ambiguous, etc.	Silent
1.—Would labor rather have (a) a five-day week at the same total output and pay as now for a six-day week, or (b) a six-day week with more production and more pay?	(a) 106 (b) 17	Alternative question no negative	13	5
2.—Has the world got to a point of productivity when it is better to play more rather than to produce more wealth?	90	23	20	8
3.—Would the average worker rather have more wealth than more leisure?	31	52	47	11
4.—Can we afford to go on a five-day week, in view of our already much higher actual wages than Europe pays, unless the change is universal?	105	12	14	10
5.—Is Labor likely to make the five-day week a critical question—one that might be pressed for solution by severe measures—such as strikes?	26	85	22	8
6.*—Do you think that industry generally could produce as much in a five-day week as a six-day without radical improvements in mechanical equipment?	71	43	18	9
7.**—Even with the best of will on the part of the workers would it not involve an intolerable speeding up?	26	90	16	9
8.—Will another weekly rest day yield social betterment dividends worth the loss of that day's potential production of wealth with improving machinery, waste elimination, etc.?	115	11	7	8

* Affirmative answers frequently state that shorter week necessitates more jobs and workers.
** Some affirmative answers qualified to indicate final satisfactory adjustment.

sure would simply result in quicker flatness of the laborer's pocketbook. He would be "broke" earlier in the week than usual. But even so, the general merchants feel that they would suffer losses of business—and, through them, the ultimate producers of most staple goods.

Again and again the replies remark that increased leisure for the workers in the "pleasure-mad" present age results always in more expenditure for sports goods and questionable amusements. The gasoline filling station, the automobile and accessory people, the dealer in sporting goods, the jazz halls, the movies, the soda fountains, hot-dog stands and the like benefit from popular leisure, but the staple merchant does not. People who go flivvering do not care much for new shoes and clothing for week end wear. They wear the old shoes, flaunt the old clothes and take to the wild woods and the wild life.

In view of the constant effort of merchants to stimulate buying, it is somewhat sobering to have them declare repeatedly that old-fashioned thrift has entirely disappeared in the masses, and that what is wanted now is not encouragement to spend, but exhortation to save. Ford seems to think that the whole of business is the production and sale of consumable goods, but these merchants want to know where new capital is coming from if commercial life is nothing but a continuous exchange of the whole of everybody's earnings for the whole of other people's products. The merchants are overwhelmingly of the opinion that the amount of leisure already provided by industry is as much and probably more than the masses can digest in the present state of popular education and culture. Leisure, they think, is already attained in a degree that results in aimless loafing, demoralizing dissipation and general softening of the mental, moral and physical fibre of the people.

While a respectable proportion of the merchants is favorable to the introduction of the five-day week into industry, only 11 per cent say that it is feasible in merchadising. Notwithstanding the fact that many of the department stores of the big cities are already on a five-day week for the summer months, merchants as a whole declare that Saturday is the best day in the week for them and is precisely the day their employes would want off. It is explained that the five-day-in-summer stores are so situated that keeping open on Saturday is a loss, Saturday being with them peculiarly a day of small patronage in summer.

Yet there are not wanting champions among the merchants of the five-day week for themselves. William Filene, president of the great Boston department store of Wm. Filene's Sons Company, declares that the plan has a very broad application in the retail field, "although," he adds, "I believe the general application of the five-day week must wait on its acceptance in the field of production." He remarks that the Boston department stores are already on a five-day week for two months in summer, and he considers it quite probable that the plan may be extended to at least one month in the winter, possibly February. Although holding that a continuous observance of the five-day week is not now practicable in department stores, he directs attention to the fact that in large department stores there are two non-selling employes for every sales person, and that the latter class is busy only half the time. In

support of the general adoption of the five-day plan in all business, Mr. Filene advances these three reasons:

1. Because it will diminish waste in production and distribution.
2. Because it will increase consumption.
3. Because it will stimulate invention.

MERCHANT'S VOTE

Mr. Filene thus takes his stand on the side of the Ford "paradox" that shorter working hours mean ultimately more production. The sequence, as he sees it is this: Increased leisure means increased demand for goods with which to enjoy leisure, increased demand for goods will result in increased pressure on production in order to realize increased consumption, with the final result that ways will be found to produce more in a shorter time and so bring more income to the workers. Mr. Filene is confident that the majority of people will make good use of more leisure, and he grimly intimates that those who do not will find themselves jobless under the more intensive regime that will follow a shorter period of work.

The Merchants' Vote

Total—245

Question	Yes	No	Indeterminate, doubtful, ambiguous, etc.	Silent
1.—Is a five-day week feasible in your business?	22	213	6	1
2.—Do you favor it for industry?	53	164	14	11
3.—With industries running five days, would you expect more business with stores open six days—on account of the workers having more time and energy for shopping—assuming that earnings were the same?	57	168	14	3
4.—Would you expect more business if both industry and mercantile trade were on a five-day week?	17	216	7	2
5.—Abstractly, is more leisure desirable for the masses of the people, that is, will it make for a better, happier, and more advanced community?	47	170	16	9

From the other side of the continent the big Bullock's store in Los Angeles speaks in behalf of the present hours—that is a 5½ day week for both industry and trade. It can see no gain in the volume of business from a five-day week all around. At the same time it admits that adjustments can be made in time that will make a five-day week satisfactory.

What The Bankers Say

The bankers, as might be expected, are the Bourbons, the hard-boiled and the reactionary group. It is not the province of banking to encourage anything that affects the existing status.

MANUFACTURER'S VOTE

Safety and three per cent—for depositors—do not comport with adventure; and certainly this is high economic adventure that Mr. Ford proposes. Perhaps that is why they plunge more eagerly into the discussion than any other group except the merchants.

Only twelve of the 201 bankers contributing to the symposium can find an ideal justification in it from the standpoint of use of capital; i. e., they believe that it is possible to reduce the working week without reducing national income. Only seven can concede that the new plan has any promise of social betterment to offset premised loss of production by its adoption. The bankers are stern fundamentalists, austere moralists and strong for the Bible—especially the fourth commandment. The world, in their composite opinion is suffering from too much leisure and too little love of honest toil right now, to be in a position to be cursed with more idleness. The devil, they declare is on the lookout for the idle quite as keenly as ever, and several of them while opining that it is a safe rule to observe the Lord's work schedule in producing the Earth approvingly quote:

(*Please turn to page* 848)

The Manufacturers' Vote

Total—155

Question	Yes	No	Indeterminate, doubtful, ambiguous, etc.	Silent
1.—Is it possible in *your industry* for labor to so increase its productivity, with the same mechanical equipment as at present, that it can produce as much in five days as it now produces in six or five and one-half days?	27	120	4	4
2.—Do you think it possible for *industry as a whole?*	13	112	18	12
3.—Assuming that with or without improved equipment such increase of output can be gained is it better to devote the potential capacity (a) to more production in the same time and more earnings, (b) or to less time at the same earnings as at present?	(a) 98 (b) 16	Alternative question no negative	18	23
4.—Will more leisure for wage-earners mean more spending in proportion to income and, in turn, more production, more employment and larger business volume.	30	73	35	17
5.—Aside from material aspects of the proposed five-day week would it be a social advance, meaning a higher and richer life for the masses?	23	106	13	13
6.—Would it be a political stabilizer—a barrier against the spread of communistic ideas and a factor for more friendly relations between employers and employes?	13	119	14	9
7.—Do you expect that the agitation for a five-day week, officially undertaken by the American Federation of Labor, will be effective enough to raise a disturbing industrial relations issue within the next few years?	17	97	27	14
8.—Do you think your employes would welcome a five-day week (a) with proportionately reduced pay; (b) with same week-pay but with understanding that the added leisure will necessarily be in lieu of increased wage-rates for many years?	(a) 3 (b) 16	(a) 127 (b) 94	(a) 5 (b) 16	(a) 10 (b) 29
9.—Considering all these factors, do you contemplate changing to a five-day week?	8	138	6	3

What Is Behind the Proposal of the N. Y. Stock Exchange to List Stocks of Foreign Companies?

Will This Step Actually Make New York the Financial Center of the World?

Will Listing of Foreign Stocks on N. Y. Stock Exchange Mark End of European Financial Independence?

By EMORY DERI

WALL STREET is about to make another long step forward on its conquering road towards the undisputed financial leadership of the world. Following the activities of international bankers the New York Stock Exchange appears to have decided to open its doors to the common stocks of leading financial and industrial corporations of every foreign country and to be making preparations to reach this end through a small change in the laws of New York State, thus eliminating the legal intricacies, which have made the listing of foreign stocks a complicated and difficult process.

It is quite natural that this move which is designed to make New York the biggest and most representative market in the world has created a world-wide sensation and has once again focussed the attention of leading European financial and industrial circles upon Wall Street. Though some time must elapse before the introduction of European stocks to the New York Stock Exchange can actually take place, Europe has already realized the enormous significance of this move and is swiftly making preparations to invade the world's greatest market with its stocks and securities.

A New International Touch

Leading banks and large industrial corporations are sending their representatives to America to make the necessary arrangements for the introduction of their stocks to the New York Stock Exchange; branch offices or agencies of European brokerage firms are being noted in Wall Street, adding a new international touch to the world's future financial center; the first wave of onrushing European stocks has already reached the shores of America.

Behind the eagerness of Europe to have her stocks listed in New York, lies the realization, that the opening of the American market will offer undreamed-of possibilities for her industrial and financial enterprises. The introduction of these stocks to America, however, is of no less importance for the American investors and for the United States' financial position in the world. While it will undoubtedly open up new and wide horizons for profitable investments, it will mark, at the same time, an important step in the development of world finances and in the struggle for the world's financial hegemony.

The reasons behind the plan of throwing open the doors of the New York Stock Exchange for a great number of European stocks are manifold and can be found in the spectacular change of America's financial situation in the last decade. During these last ten years the United States has been transformed from a capital importing into a capital exporting country. The amount of capital seeking investments outside of the boundaries of the United States has risen from year to year.

First, it has sought out the European bonds, which were well secured either by international guarantee or by the great values of the collateral offered, then, lured by the prospect of greater yield, it sought placement in common stocks of leading industrial and financial corporations. An impoverished Europe, needy of capital, was facing an enormously rich America, the superfluous capital of which started on its natural road toward the countries which offered the most profitable employment for it. The process of adjustment, however, was swift and thorough. After the Gulf Stream of American gold had touched a great number of European countries, producing wonders of revived prosperity and reconstruction, it had reached in many countries a point of saturation and was forced to turn to somewhere else in quest of new investment possibilities.

The new situation produced two interesting features, both quite new in the history of American investments. One was the fact that American capital was interested in many European corporations, the stocks of which, however, were not listed on the New York Stock Exchange; the second was the circumstance that American capital was more in need of investment possibilities in sound European corporations than the same corporations, which were flooded with offers from Dutch, Swiss, English and even German financiers, needed the assistance of American capital. Both circumstances played a prominent role among the reasons which prompted the New York Stock Exchange to evolve its plan regarding listing of European stocks.

Strength for World Domination

Besides these strictly financial reasons, however, there is also a political reason, paving the way to the introduction of foreign stocks to the New York Stock Exchange. During the past two years there has been a silent and invisible struggle for the world's financial domination between England and the United States, between London and New York. Since England's return to the gold standard and the readjustment of the United Kingdom's financial situation, London started to regain its dominating position as a financial center of the world. There was enough English capital available for the loan-seekers of the continent; London was nearer than New York and had a better understanding for the continental needs and the continental spirit, and, besides, had a more varied market for the rather variegated continental offerings. Thus the invest-

Note: Though the views expressed in this article do not necessarily represent those held by this publication, we present them to our readers as coming from a close student of international affairs and one whose opinions are worth while.

ment possibilities were infinitely better utilized by London than by New York.

It has always been the backbone of English policy to widen the sphere of British interests through loans and investments and England was not willing to sacrifice its financial influence in the continent for the sake of the American investor. In the short span of two years London has forged ahead to its old place among the great financial markets of the world, despite the fact that its resources of capital are more limited than those of New York. But it had the great advantage over New York that its Stock Exchange was part of the great European Stock Exchange system, that it could buy and sell continental stocks, that it was connected through the Stock Exchange with the natural circulation of blood of continental financial and economic life.

This great advantage of London over New York in the struggle for the world's financial domination, will disappear at the moment when the New York Stock Exchange transforms itself from an exclusively American institution to a world market. Through the introduction of foreign stocks New York will be able to compete successfully with London and it will be able to assert its superiority in available capital. In the great struggle for the world's financial domination a new phase will be ushered in by the American listing of foreign stocks, a new phase with the odds in favor of New York.

Variegated Possibilities for Americans

For the individual American investor, however, the variegated possibilities which will be afford through the listing of foreign stocks are more important than the political aspects of the proposed change. The leading European stocks, which will be introduced on the New York Stock Exchange, represent partly leading European banks and partly the basic industries of the continent, such as steel, coal, chemicals, agricultural industries, breweries, flour mills and lumber.

Though the stocks of the large European corporations can generally be considered sound, there are many points in which they differ from American stocks and which the American investor has to keep before his eyes. First of all, there is the difference between banking stocks and those of industrial corporations. In America, European banking stocks are considered a safer investment than European industrials, while in Europe the investing public prefers industrials, as they offer a greater possibility of profit. Then, there is the difference in the dividend policy between European and American corporations. One can safely say that the dividend policy of European corporations is more conservative and a greater part of the net profits is being used for increasing the reserves.

Thus it is often the case that the yield of leading European corporations is comparatively lower than the profits would indicate, but the intrinsic value of the stocks is higher. In Europe 6 to 7% is considered a fair yield, though there are cases when the yield is considerably higher, particularly in the case of those stocks which—as they say in Europe—are not yet "played out."

This is a very important point in the case of European stocks. There are still many stocks of even first class European corporations, which, for one reason or another, have not yet reached a price which would be adequate in the face of their financial position or their earnings. This is the reason why a considerable number of European stocks have displayed a spectacular rise, particularly in those countries which are still in great need of capital and where these stocks have been neglected because of lack of investors. In other words, the greatest speculative possibilities are likely to be offered to the American investors by the stocks of those countries which have not yet been flooded with American loans.

During recent years it was interesting to observe the trend of America's European investments. First of all it is Germany which has been preferred by American financiers, and the spectacular recovery of that country from the wounds of the war has increased the confidence of American investors in its securities. Very substantial profits have been realized by American capitalists who invested their money in German stocks, but the era of enormous earnings has already passed. Germany belongs to those European countries where American investments have reached the saturation point.

Germany has capital enough to keep her industries going and her large corporations offer a much lower profit than they did three or four years ago. Besides, the German stocks, as sound as they are, are "played out," that is their course is fully adjusted to their yield and intrinsic value.

Trend of Foreign Investment

This was the reason why American capital began to search for other fields of investment and turned toward France, Italy and particularly to the succession states of the former Austro-Hungarian monarchy. In France, the American investments began about a year ago, while investments in Italy have just started undoubtedly under the stimulus of possibly high profits.

It is interesting that the trend of American investments evaded Austria and Czechoslovakia. In the case of the former the possibilities have been fully utilized by the Swiss capital,

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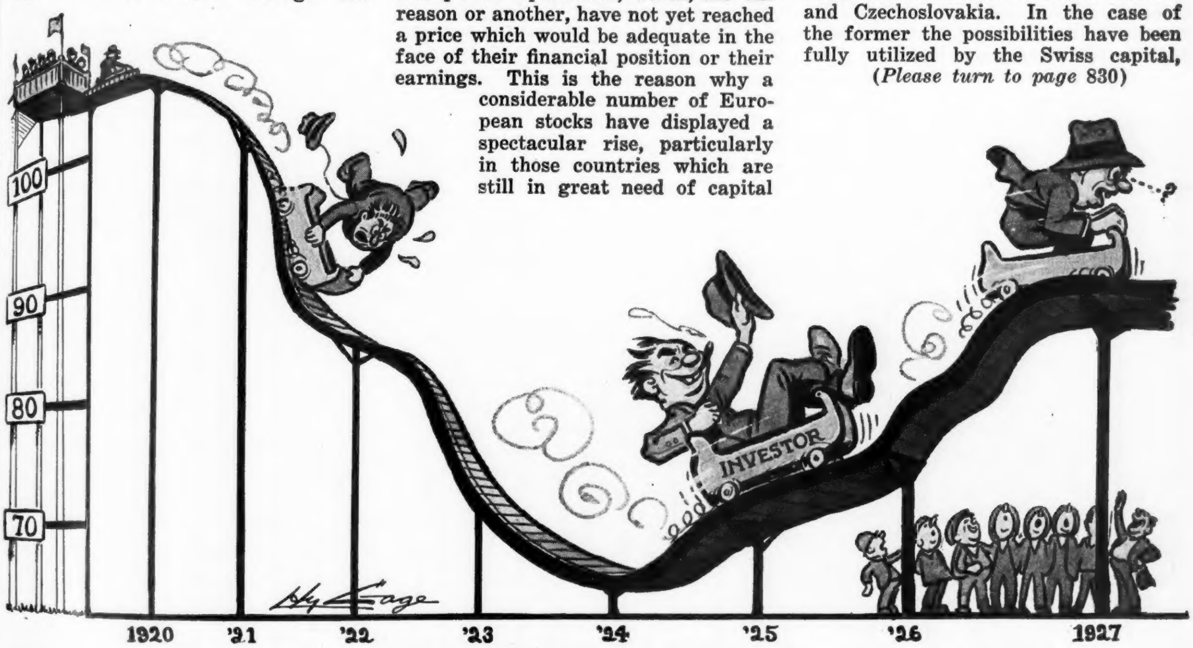


A Wild Ride With a Safe (?) Ending
(The Trend in Foreign Securities)

Representative Foreign Stocks

Name	Business	Organized	Capitalization	Earnings Declared in 1926	Price per Share in $	Dividend $ per Share	Yield	Where Listed
FRANCE Frc. = $0.0396								
Union d'electricité	Electric power supply.	1904	Common ....frcs. 200,000,000 Surplus ....frcs. 3,507,000 Bonds ....frcs. 266,638,000	Frc. 34,352,000	$15.68	$0.76	4.9%	Paris
Galeries Lafayette	Department store.	1889	Common ....frcs. 100,000,000 Surplus ....frcs. 13,003,495 Bonds ....frcs. 44,189,500	Frc. 35,000,000	7.52	0.54	7.2%	Paris
Schneider & Cie	Mining, manfct. iron, steel, machinery and arms.	1836	Common ....frcs. 100,000,000 Surplus ....frcs. 243,139,762 Bonds ....frcs. 21,100,000	Frc. 31,772,000	40.59	....	....	Paris
Cie de Produits Chemiques et Electrometallurgiques, d'Alais, froges et Comargue	Chemical and electro-metallurgical manuf'ing.	1896	Common ....frcs. 200,000,000 Surplus ....frcs. 49,897,000 Bonds ....frcs. 90,000,000	Frc. 24,853,000	67.71	1.29	1.9%	Paris
Crédit Lyonnais	Banking.	1863	Common ....frcs. 250,000,000 Surplus ....frcs. 225,000,000	Frc. 42,928,000	91.08	2.15	2.3%	Paris
GERMANY								
Allgemeine Electricitäts-A.-G.	Manufacturing of electric appliances.	1883	Preferred ....Rm. 36,250,000 Common ....Rm. 120,000,000 Surplus ....Rm. 20,257,000	Rm. 8,363,000	178%	6%	3.3%	Berlin and other German stock exchanges
Deutsche Bank	Banking.	1870	Common ....Rm. 150,000,000 Surplus ....Rm. 55,000,000	Rm. 18,230,000	211½%	10%	4.7%	Berlin and other German stock exchanges
Hamburg-Amerika Line	Shipping.	1847	Preferred ....Rm. 1,100,000 Common ....Rm. 54,000,000 Surplus ....Rm. 8,000,000	Rm. 9,286,000	175%	....	....	Berlin and other German stock exchanges
I. G. Farbenindustrie-A.-G.	Chemical.	1925	Preferred ....Rm. 4,400,000 Common ....Rm. 641,000,000 Surplus ....Rm. 152,847,000	Rm. 66,238,000	335%	10%	3%	Berlin and other German stock exchanges
Harpener Bergbav-A.-G.	Mining.	1856	Preferred ....Rm. 300,000 Common ....Rm. 100,000,000 Surplus ....Rm. 1,113,000	Rm. 1,166,000	221%	....	....	Berlin and other German stock exchanges
SWITZERLAND								
Schweizerischer Bankverein	Banking.	1872	Common ......Sw. fr. 120,000,000 Surplus ......Sw. fr. 33,000,000	Sw. f. 10,904,000	154.40	7.72	5%	Zurich
Nestlé and Anglo-Swiss Condensed Milk Co.	Food.	1866	Preferred ....Sw. fr. 45,000,000 Common .....Sw. fr. 80,000,000 Surplus ......Sw. fr. 1,000,000 Bonds ....Sw. fr. 100,000,000	Sw. f. 18,866,000	117.70	2.31	2%	Zurich
Allgemeine Maggi-Gesellschaft	Food.	1890	Common .....Sw. fr. 21,000,000 Surplus ......Sw. fr. 4,600,000 Bonds ....Sw. fr. 21,000,000	Sw. fr. 2,449,000	19.20	0.96	5%	Zurich
Brown, Boveri & Cie A.-G.	Electric machinery.	1900	Common .....Sw. fr. 39,200,000 Surplus ......Sw. fr. 1,000,000 Bonds ....Sw. fr. 35,000,000	Sw. f. 3,957,000	85.00	4.72	5.5%	Zurich
C. F. Bally A.-G.	Holding for shoe factories.	1907	Common .....Sw. fr. 40,000,000 Surplus ......Sw. fr. 9,000,000 Bonds ....Sw. fr. 14,200,000	Sw. f. 3,204,000	239.30	13.5	5.6%	Zurich
AUSTRIA 1 Schilling = 14.07c								
Oesterreichische Credit-Anstalt	Banking.	1855	Common ....Sch. 50,000,000 Surplus ....Sch. 20,000,000	Sch. 6,567,000	2.39	0.11	4.7%	Vienna, Prague, Berlin, Trieste, Budapest
Oesterreichische Alpine-Montan-Gesellschaft	Foundries and coal mining.	1881	Common ....Sch. 60,000,000 Surplus ....Sch. 42,000,000 Bonds ....Sch. 35,355,000	Sch. 106,000	6.05	....	....	Vienna, Prague, Paris, Brussels
Erste Donau-Dampfschiffart-Gesellschaft	Shipping.	1830	Common ....Sch. 18,860,000 Surplus ....Sch. 18,860,000	Sch. 1,367,000	16.88	0.56	3.3%	Vienna
Berndorfer Metallwarenfabrik-Arthur Krupp A.-G.	Mfg. of metal goods.	1915	Common ....Sch. 25,500,000 Surplus ....Sch. 9,000,000 Bonds ....Sch. 13,796,000	Sch. 1,292,000	4.36	0.24	5.4%	Vienna
HUNGARY 1 Pengo=17½ cents								
Hungarian General Creditbank	Banking.	1867	Common ......Pengo 41,400,000 Surplus ....Pengo 20,400,000	Pengo 3,287,000	14.64	0.78	5.35%	Budapest, Vienna
Hungarian Commercial Bank of Pest	Banking.	1841	Common ......Pengo 25,000,000 Surplus ....Pengo 25,000,000	Pengo 2,842,000	19.00	0.70	3.80%	Budapest, Vienna
Rumannirany-Salgotarjani Vasmirvek v. t.	Steel.	1881	Common ......Pengo 19,600,000 Surplus ....Pengo 19,600,000 Bonds ....Pengo 17,000,000	Pengo 1,062,400	16.00	0.35	2.16%	Budapest, Vienna
"Ofa" Holzindustrie A.-G.	Lumber.	1922	Common .....Sw. fr. 8,000,000 Surplus ......Sw. fr. 550,000	Sw. fr. 890,000	15.40	0.68	4.5%	Budapest, Vienna, Geneva

"Although the information contained herein is not guaranteed, it has been obtained from sources which we believe to be reliable and is the information on which we have acted in this matter."

—Typical advertisement of a security offering.

Brokers' "Hedge Clause" Doomed for Scrap Heap

Another Step in the Direction of Investment Protection

By M. L. SOUTHWORTH

A GROWING public interest in the nation's security markets has made necessary a number of revolutionary changes in the conduct of the investment profession and its responsibility to the public investor. Not so many years ago when investment first began to lose its exclusiveness, these markets were not adequately prepared in many respects for the entrance of the unexperienced investor. That the confidence of the trusting small investor was taken advantage of in these early years was perhaps, inevitable. It is now history, for the mills of justice, however slowly the process, grind exceedingly fine.

As we emerged into the present year, at least two actions were sustained in the high courts that passed unheralded but are now recognized to raise to a new standard the inherent rights and perogatives of the investor, and definitely fix a new responsibility on the investment profession. Both actions concern misrepresentation in presenting facts to the investing public in connection with an offering of securities. The one concerns a fundamental principle of law—the other supports protective legislation in the State of New York where the nation's primary security markets are situated.

"Caveat Emptor"?

Less than a month ago, the Appellate Division of the New York Supreme Court sustained a notable opinion by Judge Joseph M. Proskauer which the best legal minds characterize as the death knell of the so-called "hedge clause." The case concerns an offering of bonds of the now defunct Green Star Steamship Corporation, of which a portion was sold by the Equitable Trust Company in 1919 to the Continental Insurance Company and the Fidelity Phenix Fire Insurance Company, all three New York corporations. In newspaper advertisements and circulars caused to be issued by the trust company certain statements of fact were made on the authority of the president of the issuing corporation. Alleging that certain facts thus published in connection with the sale of these bonds were and are false, the insurance companies have come to court to seek the return of monies invested in this issue—an amount of around $200,000 being involved in this decision with a potential effect on millions of the public's money.

Thus the machinery of justice is set in motion to determine a question of vital importance to every individual or institution that buys investments, to wit, if a security is sold on a misrepresentation of the true facts (whether inadvertly or not), is the buyer entitled to his day in court or, as most of us have heretofore imagined, does the principle of *caveat emptor* prevail. The legal points at issue in this action are somewhat complicated and of small interest to the casual security buyer, with one exception.

The formal description of the issue contained the familiar phrase, *"Although the information contained herein is not guaranteed, it has been obtained from sources which we believe to be reliable and is the information on which we have acted in this matter."* In the parlance of Wall Street, this phrase is known as the "hedge clause." Appearing in some similar form on practically all financial circulars until comparatively recently, investors have had numerous occasions to question what these familiar words really mean.

It has never been made quite clear, for example, whether the inherent risk in underwriting a bond issue should be borne solely by the buyer of bonds, by the seller of bonds, jointly or just how. In spite of the most careful investigation on the part of the investment firm, it is reasonable to suppose that misrepresentations on the part of the borrower (or through sheer inadvertency) may be accepted in good faith by both the underwriting firm and the ultimate investor who buys the bonds for income or profit. But should a loss result from such misrepresentation, the age-old question arises—"Who shall pocket the loss?" This question now appears to be settled, at least so far as the right to a day in court is concerned.

In his opinion Justice Proskauer stated:

"A trial must decide whether the trust company (the seller), although not liable as guarantor, should in good conscience return the consideration paid in reliance on false statements thus persuasively, though innocently, made on the ground that the plaintiffs (the buyers) did not get what the advertisements fairly led them to suppose they would get."

Protective Clause Does Not Protect

The learned judge's opinion has been sustained by the Appellate Division. The ultimate outcome of the case is of little importance here, involving as it presumably does numerous technical points beyond the comprehension or interest of the layman. To isolate as nearly as possible the value of the familiar "hedge clause" in the eyes of the law from a complicated action before the bar of justice, there are several points worthy of note. It has not yet been proved that any false statements or misrepresentations were made in this particular transaction. Furthermore, it has not been contended that the seller of these bonds was a party to or aware of misrepresentation. *But it does seem clearly established for once and for all that so-called "protective clauses" in stock or bond circulars do not protect in the event that false statements are made.*

A similar decision also recently rendered concerns the Martin Act of the State of New York which authorizes the attorney-general to enjoin any firm from selling securities, if their sale would be a fraudulent act. The action brought against a bankrupt radio concern caused the trite point to be raised that the defendants were ignorant of any falsity of statements. Granting that the defendants may have been victimized, it was, nevertheless, ruled that the well-known "protective clause" does not exempt a dealer in securities from the duty of reasonable investigation.

These decisions have, of course, a distinct and exclusive application to the *sale of securities* and the point has been made clear in court that the investor pays his money for *investment value—not information*—therefore the issue that the "information is not guaranteed" is irrelevant to the transaction. Having thus outlived its usefulness in the sale of securities many of the large investment firms, discontinue the practice of employing the protective clauses.

How Would War Affect the Business Life of the Nation?

A Striking Analysis of War-Time Economic Possibilities

By JORDAN W. PENNINGTON

NEWSPAPER headlines have talked war for some time past. The perennial imminent war with Japan, the mainstay of our yellow press since 1906, is no longer the only source of conjecture. Prophecy has taken wider wings of fancy. Nicaragua, Mexico and China are at present the recurring sources of excited headlines and foreboding editorials.

As each of these menaces pass, a new one is brought forth. In Europe, war appears always around the corner, but never quite emergent. For example, the Franco-Italian struggle, which was assured, has been a "disappointment."

What Problem Would It Solve?

Nevertheless, it is true that since 1914, the human race has acquired the habit of thinking in terms of war possibilities. Prior to 1914 it was thought that war could affect only small countries, such as those in the Balkans, for example. A really first class struggle was thought to be out of the question, largely because everyone was so well prepared for such a struggle. The mere fact, however, that today all of our presumptions read a war out of every crisis points to a less secure world, at least in the estimation of the more excitable portion of the populace.

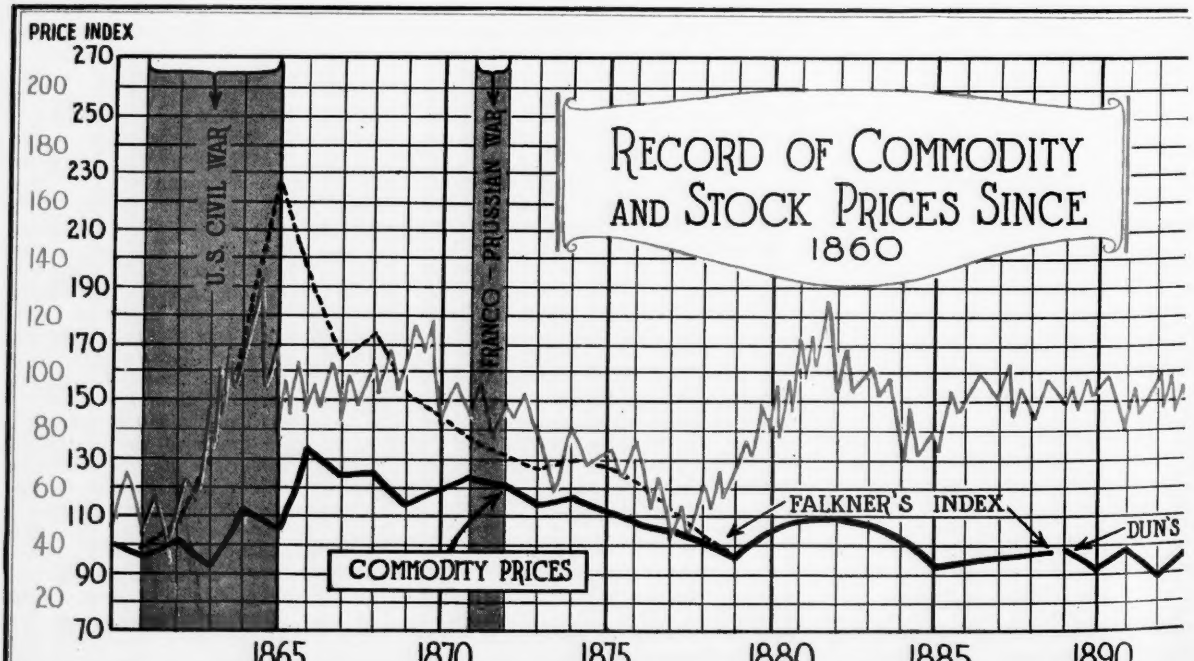
It is pertinent, at just such a moment, to inquire into the effects that a possible war would have upon the industrial and business structure of our country. It is interesting to know whether there is any important group which is likely to benefit very considerably by such a struggle—such obvious examples as munitions makers, of course, being excluded. It is important to know whether a war would solve the problems of excess production capacity, now the distinguishing feature of our industrial life. It is even more important to study the effects on exports and on finance, on wages and on the cost of all raw materials.

That a war may prove both needed and profitable from an economic viewpoint is a thought not to be dismissed lightly merely because every human being, not utterly depraved, would prefer that we keep our young men alive, and that we would prefer economic poverty rather than economic prosperity, if the latter had to be secured through bloodshed. Many pacifists have been led by their abhorrence of war to discover that it is always ruinous, from an economic viewpoint. Whether this is true or not, it does not follow that what is physically horrible may not be economically important.

The United States is not in the same position today that it has been in previous wars. The changed economic structure of our country and its alteration in time of war is a fascinating subject for study. War is not altogther out of the question anywhere today, and investor and business man alike should calculate its possible effects, just as they would do in Europe. It is as real a possibility, as, say, the ever-invoked continued possibility of gains in production and consumption. Any important even though contingent future development must be appraised by critical students of investment values. Furthermore, since Mr. Coolidge has specifically forecast economic conscription during a time of war, the issue has more than academic importance.

The Economic Effects of Past Wars

Unfortunately, the lessons of the past do not seem to be conclusive as to the effect of wars on the economic structure. It is a commonplace that the greatness of England was established by her conquest of Napoleon. But that was a special situation that can never be repeated.



England was changing from a hand-manufactures stage to a power-machine stage of production at the time. She alone was free from invasion so as to effect this change completely. At the moment of her victory, the largest colonial development in the history of the world opened up infinite sources of cheap raw materials and food. England found that she could produce cheaply, in great quantities, and that she was the only important manufacturing state.

On the other hand, the effect of the Revolutionary War upon our own country stunted our development. Poverty followed in its wake, and such instances as Shay's Rebellion in 1786 are directly consequent upon war distresses. The United States did not really recover from the Revolution until the European War of 1792-1814 enabled us to harvest rich profits as neutral carriers, and the opening of the prairies changed the economic center of gravity.

How European Nations Fared

The Civil War was altogether different in its effects. It stimulated business tremendously, and the roll-call of our large capitalists dates mostly from that time. The country was growing in population at the rate of 3% per annum, and the production of wealth was probably going ahead at 6% per annum.

For eight years after the war, there were terrific profits and a great boom. The panic of 1873 was consequent upon the speculative excesses of prosperity and not upon the war calamities. In other words, a young and growing country, with a good economic basis was able to lose the flower of its youth, shoulder the heaviest load of taxation and debt, see 40% of its territory devastated and its population impoverished (in the South), and still come out stimulated by the struggle, to the greatest expansion of wealth the world had yet seen.

In 1870, the Franco-German war led to great profits for Germany, also a young and well-disciplined country from the viewpoint of capitalism. A large section of the Junker belief in war must have come from the happy economic consequences of 1870-71.

The World War of 1914-18 came in a totally different economic setting. France was a slow growing state, secreting capital and then investing it abroad. England obtained most of her profits from commitments outside the country. Germany was expanding more rapidly than either, but her business was advancing faster than her capital. Russia was a veneer of capitalism over a primitive rural economics.

The four countries reacted differently. France, deprived of her nicely calculated margins of saving, found her financial position permanently impaired, despite great industrial gains. England was deprived in part of her economic supremacy, but her reserves were so great that she still retained financial solvency. The exact opposite of France though, her industrial situation was permanently injured. Germany's inflated credit structure was tied up with exports, and her financial structure collapsed wholly, and with it the investments of her moneyed class. Her industrial development was stunted not only by want of financial backing, but also by actual physical losses due to the treaties and indemnities. Her discipline, in the sense of technical organization, though, gave her greater elasticity than any other country displayed. Russia, on the other hand, found that the strain of a first class struggle on its primitive capitalism was too great, and its employing class was wiped out by social revolution.

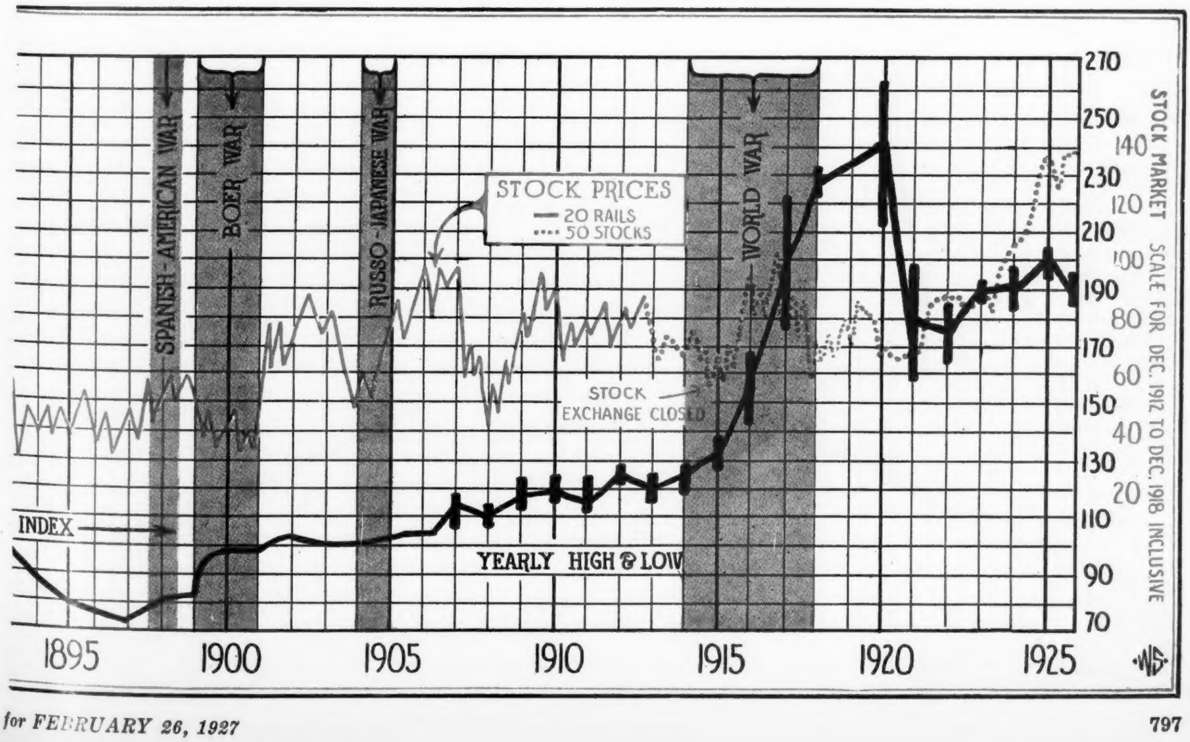
The Position of the United States

There is one significant deduction to be drawn from this seemingly contradictory array of facts. That deduction is that no single proposition can be stated as to the effects of war on industry and finance. The effects depend on the specific character of the industrial and financial development of the country involved. The duration and importance of the war is the second important factor, but it is not so clearly determinable in advance.

This constitutes a real gain. Instead of resorting to general platitudes that "war ruins a nation" or that "wars are what business needs," we are compelled to make an analytical study of American conditions exclusively, to determine what the effect would be on ourselves.

The precedent of 1917 is not as important in this connection as many think. The United States was a borrower country up to the outbreak of the great war. Industrial profits had been below par during 1907-15. The country was still undeveloped economically. In 1915 began the flood of war orders and raw materials orders from the allies. The speeding up of our economic development was terrific. By 1917 we entered the war with a partially developed industrial system and a roaring trade. The two years of our participation came just at a period when our enemies and allies alike were exhausted.

We revealed a mushroom export development, and without technical background, we sought to duplicate other nations' activities in unusually specialized fields. Raw



materials had been forced into the hopper of war activities. Prices rose faster than production. The collapse in prices in 1920 ended this most astounding inflation. But it left us with a great accumulation of profits which had been invested primarily in two ways. One was in investments abroad and the other was in additions to plant productive capacity. These two processes, temporarily arrested in 1921-2 were resumed in full force in 1923 and have continued into a period of apparently unexampled prosperity. The load of taxation has been progressively lightened, and the national debt reduced at an impressive rate.

The World War then transformed us from a borrower to a lender nation, from an exporter of raw materials to an exporter of finished goods primarily; from a nation with limited productive resources to one with excess production capacity. It left no economic heritage that can be considered destructive except two. The first is the needed over-stimulation of sales by installment selling, as an outlet for excess production capacity, and the second, the decline in speculative farm values, that had been based on inflated war prices for farm products. But all in all, there is a fair case for the assumption that we owe much of our present supremacy to our profitable neutrality in the earlier part of the war, and our intervention at the right time which served to protect our gains.

The United States, however, might not be affected so favorably by a future war as it was affected by the World War. It is not the same country, in an economic sense, and the analogy of the last war need not hold.

Our Excess Production Capacity

It is an old and familiar theory that wars, in our modern age, result from the inability of consumers at home to buy the full production of their country's industries. They are then forced into a competition for foreign markets, which brings them into collision with the industries of other countries, affected by the same need to export if they are to live.

The converse of this situation is the need for receiving from these customers abroad, in payment, such commodities as are not produced at home. In this way the exporting manufacturing country gets rid of its surplus production and obtains at a reasonable figure, either the raw materials or the exotic goods of which it stands in need. The control of this raw material situation is gained by obtaining concessions, usually in weaker countries.

The financiers who take charge of these concessions, are ordinarily those affiliated with the flotation of securities, or the banking of the exporting industrial corporations. Hence, it is argued there is a direct relationship between the need for export of surplus industrial production and an imperialistic policy in collision with other states. This is the classical war theory of Socialists and Liberals alike. Its assumptions do not interest us, except for the fact that it has transpired from its original sects of believers into more responsible circles, until today it is unconsciously held by nearly everybody. With it, as a rule, is correlated a financial theory. This holds, that, when the surplus of money at home becomes so abundant that the return on capital becomes very small, in order to obtain attractive yields, it is necessary to invest in areas abroad where capital is needed, and where money is not so safe as at home. This is an ideal foundation for intervention when these "interests" are threatened, and hence there may develop a need for war.

This set of theories all assume that war is inevitable, given a certain economic situation. They overlook some very well known facts that contradict their initial assumptions, and are not so easily explained. For example, the yield on bonds is today below 5%, so far as obligations of high quality are concerned. But in the southwest, a rate of 8% on good mortgages still persists. Discount rates of 7% are common enough, in prosperous sections of the southeast—Federal Reserve rate or no Federal Reserve rate.

Yet, surplus American money does not pour into these areas, equalizing the yields on money all over the country, but prefers to buy European bonds showing high yields. No one ventures to suggest that the failure of an Austrian industrial to pay interest on its American issues would precipitate armed intervention. Here we find that a surplus of money does not saturate a country before it seeks employment abroad, but that it overlooks great opportunities at home to be lured abroad. It is not rational consequence but it is a fact.

In the next place, we find that billions have been loaned to areas in Europe where concessions obtained by pressure are simply unthinkable. Only a small part of our funds go to countries subject to imperialism. American investors still prefer Canada to Mexico.

In the next place, we find that for a century after the Napoleonic War, Great Britain invested by far the greatest part of its surplus funds in the United States and Latin America, and that in both cases intervention was precluded by the Monroe Doctrine. As for our increased industrial exports, the largest part has gone to Europe; the most highly industrialized section of the world. They have not sent us raw materials but finished goods in exchange. It is obvious then, that war is not inevitable economically. Economic conflict between states may be inevitable, but the physical form it takes is not pre-determined. The road thus is clear to examine the effects of a war should it come about. We do not need assume, however, that it will come about.

Economic Effect of a Prolonged War

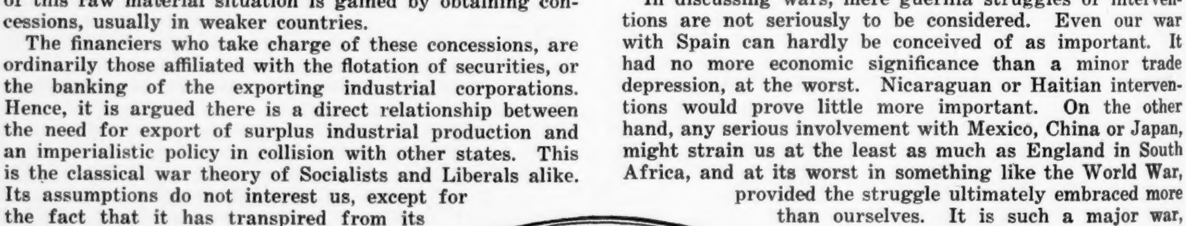
In discussing wars, mere guerilla struggles or interventions are not seriously to be considered. Even our war with Spain can hardly be conceived of as important. It had no more economic significance than a minor trade depression, at the worst. Nicaraguan or Haitian interventions would prove little more important. On the other hand, any serious involvement with Mexico, China or Japan, might strain us at the least as much as England in South Africa, and at its worst in something like the World War, provided the struggle ultimately embraced more than ourselves. It is such a major war, whose economic effects are here considered.

The immediate effects of an important war would be a reversal of every single tendency now dominant. In place of hand-to-mouth buying there would be a scramble for goods and supplies. No merchants, with the memories of previous wars in mind, would take any chances on deferred deliveries in small quantities.

(*Please turn to page* 849)

ENIGMA!

Does war stimulate business? What has happened to business of other countries in wars of the past? What would a war do to business in this country? Read this fascinating article and ponder the subject.



Be Your Own Investment Trust

How a Small Investor With Just $1,000 Can Set On Road to Income and Profit Through One-Share Lots

By EDGAR ROYCE JONES

IT is commonly said that before the average investor can learn how to make money in his investments, he has to lose it. In other words, knowledge may only be gained from experience and, as in life in general, one must pay for one's experiences.

Probably, there is a great deal in this contention in regard to investment success, yet it is possible for one to gain knowledge and experience, without incurring the risk of costly ventures. It is the object of this article to show how an ordinary investor through a diversified investment of $1,000 in *one-share* lots may place himself in a position to gain an adequate knowledge of securities, at the same time securing a good income and, even, possibilities of price enhancement, without involving himself in undue, and possibly, disastrous speculation.

The reader should now examine carefully the accompanying table. He will note that the investment of $1,000 has been placed in fourteen distinct industries, representing a high degree of diversification and, stability. The object behind this extreme degree of diversification in this particular case is, first, to compel the investor to follow the trend in a number of leading industries, thus familiarizing himself with the essential background of investment and, second, to eliminate the serious risk which might come about if the investment were concentrated on one or two industries.

The reader will note further that practically in each case, a leading company in each industry has been chosen. The object of this, first, is to afford the investor the opportunity of watching market trends, since the stocks selected, for the most part, play prominent parts in the market and, hence, are worth watching. The object, second, has been to confine the investment only to strong companies, capably managed and with a good earnings record so that the investor may have a reasonable assurance as to income.

The total cost of the investment is, based on current figures, $982, on which a cash return of $56.50 annually is secured, without including the return received through stock dividends on two of the issues. The average yield is 5.75%, which will undoubtedly be increased as at least three of the companies will probably raise their dividend rates in the near future. Two of these are marked * and one, **.

A $1000 Investment in One-Share Lots

Name	Industry	Price	Div.	Yield
Allis Chalmers	misc. mfg.	$90	$6	4.4%
Am. Steel Fdys.	rail equip.	45	3	6.6
Amer. Sugar	sugar refin.	82	5	6.1
Assoc. Drygoods	dept. store	42	2.50	6.0
Bklyn. Man.	traction	65	4	6.1
Cudahy	packing	52	4	7.7
Kennecott	copper	61	5	8.1
Loew's	mov. pictures	52	2	3.6*
Montana Power	power	83	5	6.0
Texas Corp.	oil	56	3†	5.3†
Tex. Pacific	railroad	60	.	..**
United Drug	chain store	162	8	5.00*
U. S. Realty	building	50	4†	8.00†
Youngstown	steel	88	5	5.6
		Total Cost $982	Total income $56.50	Avg. yield† =5.75%

† Not including stock div. extras. * Div. could be increased at any time. ** Expected to pay $4 or $5 div.

At the same time, each of the stocks selected present possibilities by way of price appreciation though this has not been the primary object. The stocks are of a calibre which warrant their retention over a considerable period and, as such, are recommended more from the investment than speculative viewpoint.

Most brokerage firms will not accept marginal commitments in one-share lots. They require cash payment in full and, generally, exact about a dollar per share in commissions, for buying and selling. It will be seen, therefore, that it would hardly pay to purchase these shares on a one-share lot basis if the same stock were to be sold at an early period after purchase.

Investors, particularly inexperienced investors, might well give attention to the idea set before them. The educational value, if properly employed, is substantial. Additionally, it has a practical value from the pure investment angle. The idea of this article is to suggest that there are more ways than one to build up a competence. All that one needs is an intelligent plan, patience, moderate desires as to profits, and the ability to earn enough to save.

Twenty Timely Bond Switches

Price	Current Income %	Yield to Maturity %	Switch from	Switch to	Price	Current Income %	Yield to Maturity %	COMMENT
107	4.67	4.25	Baldwin Locomotive 1st 5s, 1940.	American Type Founders, Deb. 6s, 1940.	104	5.77	5.56	Yield of Baldwin Locomotive Bonds wholly out of line with those of equally important industrials. American Type Founders consistent good earner, covering interest requirements nearly 4 times.
90⅞	4.40	4.61	Bush Terminal 1st 4s, 1952	Central Pacific, Gtd. 5s, 1960.	102¼	4.89	4.86	Surplus of earnings of Bush Terminal, above interest requirements, not nearly sufficient to justify price. Central Pacific bonds guaranteed by Southern Pacific Co.
110	4.55	4.52	Chi. & N. W., Gen. 5s, 1987.	Wabash R. R., 2nd 5s, 1939.	101½	4.93	4.83	Chicago & Northwestern bonds seem to enjoy nearly maximum premium and to have already scored rise. Wabash in rapidly improving position, with strategic possibilities that should improve bonds.
103⅝	4.79	4.55	Gt. Falls Power 1st 5s, 1940.	Houston Belt & Terminal, 1st S. F. 5s, 1937.	99½	5.03	5.06	Although Great Falls has splendid earnings record, it is out of line with other utility bonds of equal calibre. Houston Belt is guaranteed proportionately, interest and sinking fund, by four proprietary railroad companies.
106⅛	4.71	4.54	N. Y. Gas, Elec. Lt., Ht. & Power, 1st 5s, 1948	Montana Power, 1st & Ref. 5s, 1943.	101⅝	4.91	4.85	New York Gas, Elec. is an underlying bond of New York Edison, the assuming company. Premium excessive. Montana Power is hydro-electric, with excellent earnings and assured promise.
90⅞	4.40	4.69	Adams Express, coll. 4s, 1948.	American Chain, S. F., Deb. 6s, 1933.	102⅛	5.87	5.58	Adams Express Coll. 4s are practically an investment trust issue in bonds. As such they are out of line. American Chain interest was earned nearly 8 times; equally strong in assets and working capital.
95⅝	4.12	4.35	Brunswick & Western, 1st 4s, 1938.	Central of Georgia, 1st 5s, 1945.	104½	4.78	4.62	Brunswick is underlying subsidiary of Atlantic Coast Line, the assuming company. Position as "Legal" in N. Y., Mass., Conn., causes artificial premium. Central of Ga., legal in Mass. and Conn., enjoys equal safety but better price.
99¾	5.01	5.04	Virginia Ry. & Power, 1st & Ref. 5s, 1934.	N. Y. Steam Corp., 1st 6s, 1947.	106⅛	5.65	5.49	Virginia Ry. & Power, now Virginia Electric Power Co. Recent change in management. Earning surplus not sufficient to justify low yield. N. Y. Steam has little advance possibility, but shows exceptional income for quality.
96¼	5.19	5.29	Sierra & S. F., 1st 5s, 1949.	So. Colorado Power, 1st 6s, 1947.	101⅛	5.91	5.85	Sierra bonds are guaranteed by Pacific Gas & Electric, as to interest, under lease. Southern Colorado has developed an even larger earning power recently than Sierra.
98⅛	5.09	5.16	Utah P. & L., 1st 5s, 1944.	Pub. Service of N. J., Sec. 6s, 1944.	104¾	5.73	5.56	Public Service Corporation has larger earning power, greater continuity, wider distribution of facilities and much larger industrial background. Utah Power & Light bonds are in line, but Public Service yield is high because of limtied advance possibilities.
92¼	5.42	5.53	Pocahontas Cons. Collieries, 1st 5s, 1957.	Pacific Coast Co., 1st 5s, 1946.	93	5.42	5.66	Absence of information as to earning power makes Pocahontas too much of a bond mystery, especially in view of uncertain future of bituminous industry even in this prosperous field. Pacific Coast Co., controlling local rails, has shown large earning power recently.
88¼	4.53	4.93	St. Joseph & Gd. Island, 1st 4s, 1947.	Mortgage Bond, 4s, 1966.	81	4.94	5.12	St. Joseph & Grand Island is owned, 98%, by Union Pacific. It operates lines in Nebraska and Kansas. Not guaranteed by Union Pacific. Earning power not impressive. Mortgage Bond 4s secured by deposit of conservative, sound mortgages on properties in many states.
93¼	5.36	6.03	Keystone Tel. of Philadelphia, 1st 5s, 1935.	Schulco Co., "A" 6½s, 1946.	100	6.50	6.50	Although Keystone, which operates a local telephone system in Philadelphia, has shown some improvement in earnings, margin is still quite narrow. Schulco Co., a real estate corporation affiliated with Schulte interests, is capably managed and identified with growing interests.
103	4.83	4.75	Hudson County Gas, 1st 5s, 1949.	Cleveland & Mahoning, Con. 5s, 1938.	100	5.00	5.00	Hudson County Gas is an underlying, sound, utility, operating in Jersey City, etc. Cleveland & Mahoning is an underlying, important subsidiary of Erie, which leases it. Net rental always 3½ times interest, approximately. Prime quality.
101⅜	4.43	4.42	Cleveland Short Line, 1st 4½s, 1961.	Chi. & Western Indiana, Cons. 4s, 1952.	87⅝	4.58	4.88	Cleveland Short Line is assumed by N. Y. Central, and is legal in N. Y., Mass., Conn. Premium artificial. Chi. & Western Indiana, with important Chicago facilities, is guaranteed as to interest under lease of five railroads. Sinking fund basis also exceptionally secured.
103⅛	4.84	4.77	New England Tel. & Tel., 1st 5s, 1952.	Montreal Tramways, 1st & Ref. 5s, 1941.	99½	5.03	5.05	Slump in earnings of New England Tel. & Tel. has reduced investment quality of issue. Montreal Tramways has intrinsically good earnings and ample statutory protection of interest.
100⅝	4.97	4.94	No. States Power, 1st & Ref. 5s, 1941.	Peoria & Pekin, Un. Ry. 1st 5½s, 1974.	104¼	5.26	5.24	Northern States Power is earning about twice interest requirements, but is overpriced comparatively. Peoria & Pekin, owned by five important rail systems, is a consistent fine earner.
103¼	5.71	5.53	Pillsbury Flour Mills, 1st 6s, 1943.	N. Y. & Richmond Gas, 1st 6s, 1951.	102½	5.85	5.81	Pillsbury, a leading flour producer, is consistent earner, showing interest requirements twice covered. N. Y. & Richmond Gas showing better earning power and greater rate of gain.
91¾	4.36	4.90	Rio Grande Western, 1st Con. 4s, 1949.	U. S. Rubber, 1st & Ref. 5s, 1947.	96	5.21	5.33	Rio Grande & Western bonds are assumed by the reorganized Denver & Rio Grande. Earning power not nearly so impressive as those of senior bonds of U. S. Rubber, whose earnings face a stability which should raise their investment quality considerably.
93⅛	4.26	4.68	Mobile & Ohio, Gen. 4s, 1938.	Missouri Pacific, 1st & Ref. 5s, 1965.	100⅛	4.99	4.98	Mobile & Ohio issue will be senior upon retirement of two issues this year, but situation has already been discounted in price. Missouri Pacific is a potential Atchison, and the bonds are in line for a great advance in investment status.
	4.78%	4.88%	Average.	Average		5.31%	5.29%	

Bonds

Irregularity Develops Under Profit-Taking Movement

THE bond market worked itself into a condition of fits and starts, with fully half the list in a comatose condition. Foreign bonds proved especially vulnerable to selling, a logical development after their rather extensive speculative rise which took place in the first few weeks of the year. Reactions of from one to three points took place throughout the entire foreign section. French loans were especially weak. South American issues, too, were in supply but recessions were mainly fractional in this portion of the list. These developments are in the nature of trading operations and hardly reflect the true investment pulse. It is important to notice, however, that the American public is steadily increasing its purchases of foreign securities mainly on account of the high yields which they offer in comparison with domestic securities. This tendency probably will continue.

Copper Issues Stronger

An interesting development was the renewed interest in copper issues, with Granby convertible 7s scoring a pronounced gain. The Anaconda issues were also firm.

Speculative rails were divided between strong and weak spots. Such issues as Seaboard adjustments, Peoria & Eastern incomes, Western Maryland 4s and International Great Northern adjustments made good gains. On the other hand, Erie convertible 4s, Minneapolis & St. Louis refunding 5s, and others lost a point or so.

Gilt-Edge Bonds Quiet

Gilt-edge issues were rather quiet, it being apparent that the year-end reinvestment demand had about run its course and that the market had discounted to a certain extent the decline in money rates. It does not appear probable that this section of the bond market will do much more than hold its own during the immediate future. On the other hand, the supply is scarce and any concerted buying movement would place the entire group in new high ground. This was indicated by a half point advance in the registered Treasury 4¼s which moved up smartly after relatively small buying orders were placed.

Speculation, for the time being, has been transferred from bonds to stocks accounting for the relatively quiet character of the former market. This situation will probably not change materially during the next week or two.

There were a few important changes in the quoted prices of issues listed in our Bond Buyers' Guide. In an early number, the entire list will be revised to meet present conditions in the bond market.

Bond Buyers' Guide

Bonds for Income Primarily

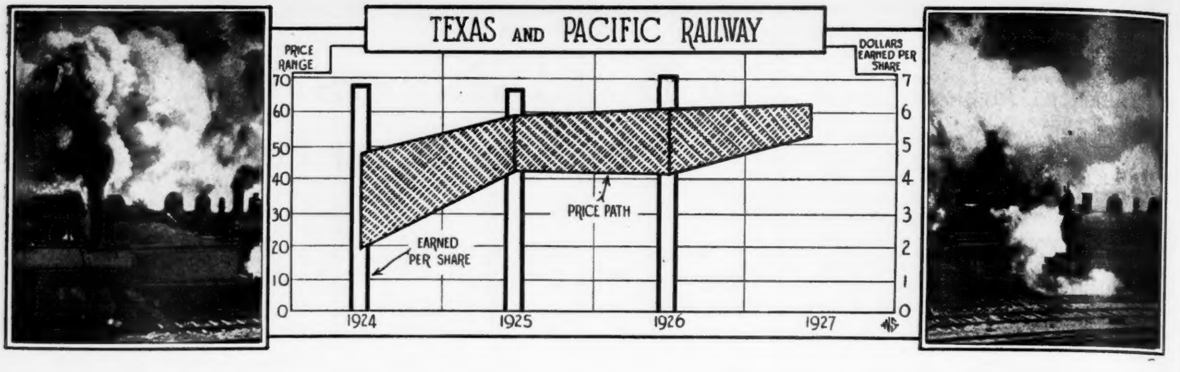
GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959................(a)..	....	....	100	98¼	6.09	6.11
Dominican Rep. 5½s, 1942........(a)..	6.4	....	101G	99⅜	5.55	5.55
Hati 6s, 1952.....................(b)..	....	....	100G	99	6.08	6.08
Chile, ext. 8s (due at 105), 1941..(a)..	....	....	110A	108	7.41	7.28
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a)..	284.0	1.44	105A	100⅜	4.95	4.95
Erie & Jersey, 1st 6s, 1955........ ..	....	1.61	115	112¾	5.29	5.00
Genesee Riv., 1st 6s, 1957.......... ..	....	1.44	115	112½	5.33	5.17
Great Northern, Gen. 7s, 1836....(b)..	139.8	2.75	....	113¾	6.12	5.70
Kan. City Sou. Ref. & Imp. 5s, '50. ..	30.0	2.07	105A	99⅛	5.03	5.05
Minn., St. P. & Sault 6½s, 1931.. ..	74.6	1.16	....	101	6.30	6.12
M-K-T, P. L. 5s, 1962............(b)..	....	1.89	....	101⅝	4.93	4.91
Missour' Pac., 1st & Ref. 6s 1949.(a)..	126.3	1.24	107½A	107⅞	5.53	5.38
N. Y., O. & W., Ref. 4s, 1992...... ..	....	1.29	....	78½	5.10	5.15
Ogdensburg & Lake Champlain 1st 4s,1948	....	1.91	....	82⅞	4.82	5.38
Rutland, 1st 4½s, 1941............ ..	....	1.80	....	93¾	4.77	5.15
San Antonio & Arkansas Pass, 1st 4s, 1943	....	2.63	....	89⅝	4.47	4.92
Western Pacific, 1st 5s, 1946......(b)..	....	2.26	100	99¾	5.02	5.02
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	....	1.32	102½	99	5.05	5.15
Commonwealth Power, 6s, 1947....(b)..	....	4.28	105T	105	5.68	5.57
Hudson & Manhattan, Ref. 5s, 1957(b)..	5.6	1.98	105	98½	5.05	5.10
Kansas Gas & El. 1st 6s, 1952....(a)..	....	1.71	107½T	104¾	5.72	5.64
Laclede Gas, C. & R. 5½s, 1953..(b)..	10.0	1.58	105T	104¾	5.25	5.19
New York Dock, 1st 4s, 1951....(a)..	....	2.73	105	85¼	4.68	5.09
New York Edison, 1st 6½s, 1941..(a)..	38.0	3.71	105G	115¼	5.65	5.06
Ohio Pub. Ser., 1st & Ref. 7s, '47.(b)..	4.0	3.61	120T	115	6.09	5.73
United Fuel Gas, 1st 6s, 1936....(a)..	....	5.72	105	103½	5.77	5.49
Western Union, 6½s, 1936........(a)..	20.0	11.20	....	111¾	5.82	5.00
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947....(a)..	....	4.92	107½T	108⅝	5.50	5.30
Anaconda, 1st 6s, 1953............(a)..	16.9	1.34	105T	104	5.76	5.70
Bethlehem Steel, P. M., 5s, 1936... ..	5.1	2.20	105	98¾	5.08	5.21
Central Steel, 1st 8s, 1941........(b)..	....	4.90	....	119	6.76	5.98
Goodrich, B. F., Co., 1st 6½s 1947 ....(a)..	....	5.35	107A	107	6.06	5.96
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	....	5.18	103T	102¼	5.34	5.31
Int. Paper, 1st 5s, 1947............ ..	....	7.26Y	102½	97⅜	5.10	5.15
Sinclair Pipe Line, S. F. 5s, 1942..(a)..	....	4.46	103	94⅝	5.26	5.50
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	....	3.31	105G	107½	6.55	6.25
U. S. Rubber, 1st 5s, 1947........(b)..	2.6	2.91	105T	96	5.23	5.34

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Chicago Gt. Western, 1st 4s, 1959.. ..	....	0.90	....	71½	5.58	6.00
Central New England, 1st 4s, 1961 ..	0.2	0.67	105	82½	4.87	5.10
Erie, Gen. Lien 4s, 1996.......... ..	91.6	1.44	....	76⅝	5.23	5.26
Int. Gt. Northern, 1st 6s, 1952....(b)..	....	1.34	107½T	106¼	5.67	5.57
Mo. Pacific, Gen. 4s, 1975........(a)..	219.9	1.24	100T	77	5.07	5.23
Rock Is., Ark. & La. 1st 4½s, '34.(b)..	....	1.48	105T	95⅝	4.70	5.22
New Haven Deb. 6s, 1940........(b)..	49.4	1.48	105	104⅛	5.73	5.53
Western Md., 1st 4s, 1952......... ..	2.3	1.18	....	80¼	4.98	5.45
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968..(b)..	....	1.52	105	98¾	6.06	6.10
Indiana Nat. Gas, Ref. 5s, 1936.. ..	....	1.89	....	98	5.10	5.26
Manhattan Ry., Cons. 4s, 1990.... ..	....	0.86	....	69¾	5.73	5.79
Market St. Ry. 1st 7s, 1940......(a)..	....	2.38	106½T	97⅜	7.19	7.17
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	21.4	1.31	104T	96⅛	5.20	5.25
N. Y. & Richmond Gas, 1st 6s, 1951(b)..	....	1.06	105G	102½	5.85	5.81
INDUSTRIALS						
Col. Industrial 1st Gtd. 5s, 1934.. ..	5.3	1.16	105	95¾	5.20	5.75
Consolidation Coal 1st & Ref. 5s, 1950	8.0	2.52	107½	81	6.17	6.68
Commercial Credit, Coll. 5½s, 1935.(a)..	....	2.74	105T	91⅛	6.01	6.78
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	11.2	4.48	105TA	99½	5.53	5.52
Webster Mills, 6½s, 1933.......... ..	....	2.44	102½T	97¼	6.63	7.10
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1938....(a)..	....	6.84	105	102½	5.85	5.62
Am. Type Founders, Deb. 6s, 1940.. ..	....	....	105	105	5.71	5.55
Liggett & Meyers, Deb. 7s, 1944.. ..	....	5.88	....	121	5.79	5.15
Sun Oil, Deb. 5½s, 1939..........(a)..	29.3	4.09	105	100	5.50	5.50
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, 1929	31.1	2.11	102T	102⅛	....	5.08
Gen. Petroleum 6%, April 15, '28......	....	5.18	101T	101¼	....	4.96
Sloss-Sheffield P. M. 6s, Aug. 1, '29....	1.7	4.55	105	102⅛	....	4.92

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about $2.16. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later.



Texas and Pacific

Texas & Pacific Nears Dividends

Missouri Pacific Rapidly Increasing Ownership in Stock—Valuation Basis Far Above Market Value

By J. A. POLLOCK, Jr.

TEXAS & PACIFIC may lay claim to a number of distinguishing features of which the best known, no doubt, is its possession of a Federal charter. The company was incorporated by Act of Congress in 1871, a fact that has had a definite influence upon the affairs and finances of the company. In contrast to the changing mileage, titles, financial structures and affiliations that have marked the development of the railroads of today, Texas & Pacific probably holds a record for retaining, in surface measures at least, a status quo of forty years duration.

The company originally acquired a few small railroads operating in Louisiana and Texas and constructed a line westward to a connection with the Southern Pacific about 90 miles east of El Paso. In 1881 consolidation was effected with the New Orleans, Pacific Railway extending from New Orleans to Shreveport, and in the following year both the New Orleans and El Paso divisions were opened for traffic.

Two years later floods and a failure of the cotton crop brought about a default in obligations and the first of the company's two receiverships ensued. Governed primarily by the desire to retain the Federal charter, a technical foreclosure was avoided and in 1887 the company was reorganized by arrangement among the various security holders. Since that time there has been little change in the road's mileage or capitalization.

After the Reorganization

The new company emerged from reorganization with, in round figures, $20,000,000 of fixed interest bonds, $25,000,000 second mortgage income bonds and $38,000,000 common capital stock. From 1888 until 1901 no interest was paid on the income bonds, and again not from 1908 until the second reorganization in 1923, although interest was pretty generally earned throughout the period.

Another record of the Texas & Pacific was the light standard of construction adopted in the original mileage. As late as two decades ago the company could vaunt the proud boast that virtually all of its track was steel and only a few miles of iron rail remained, while over half the mileage was of the 75 pound standard. Texas & Pacific, of course, earned quite an undesirable reputation for itself in the days not so far distant when there were too many railroads in Texas. The slow growth of the territory was a controlling drawback to its successful development. Another inherent disadvantage was the relatively heavy amount of mortgage debt, only half of which carried a fixed interest burden, that the company assumed in the 1888 readjustment of its finances. The situation precluded the company's borrowing for necessary improvements to the property, but permitted it to operate outside of court jurisdiction for a good many years by the application of earnings to betterments rather than to payment of interest on the income bonds.

The right of this election was challenged by another Gould road, the Missouri Pacific, whose subsidiary, the St. Louis & Iron Mountain, now an integral part thereof, had acquired practically all of the income bonds in 1908 for 65% of its own unifying and refunding bonds and at the same time, October, 1916, a receiver was appointed on account of the failure of the Texas & Pacific to pay a judgment in favor of the Iron Mountain. The validity of the latter was subsequently upheld, but in 1921 a suit of the Missouri Pacific for back interest on the income bonds was dismissed, the court laying down the important principle that this was not payable even when earned if, in the judgment of directors, the funds available were required for improvements to the property.

Second Reorganization Constructive

Settlement of this suit laid the basis for the second reorganization which was again accomplished without foreclosure by the Missouri Pacific taking preferred stock in place of income bonds and thus releasing the lien of the latter for future financing. The attendant increase in share capitalization, however, required an amendment to the charter which was duly authorized by Act of Congress, February 9, 1923, increasing the authorized capital stock of the company from 50 to 75 million, the additional stock to be either preferred or common. This Act is of current interest as perhaps recording the only official Congressional viewpoint on the lively question of non-voting stock issues as contained in the following provision: "That each share of outstanding capital stock, preferred or common, shall be entitled to one vote at every stockholders' meeting, which may be voted in person or by written proxy."

About the time that Texas & Pacific was thrown into receivership the rapid development of Texas and the Southwest was getting under way. Somewhat larger earnings on the part of the company, which was in the main already able to cover its contingent interest charges definitely non-payable in receivership, made possible a rapid

rejuvenation of the physical property and obviated the necessity of an assessment upon the common stock.

The minor cash requirements of the reorganization plan were met by a note of $4,400,000 to the Director-General of Railroads and at the same time the Missouri Pacific judgment with interest, $4,440,000, was funded through a short term unsecured note. The latter road already owning $10,000-000 or 26% of the Texas & Pacific common stock, acquired full control of the property by taking $23,703,000 out of $25,000,000 voting preferred stock in place of its former income bonds, giving it a 53% ownership. During 1926 Missouri Pacific acquired at least $5,000,000 and possible $10,000,000 additional common stock, thereby evincing no doubt a belief in the value of its subsidiary, which might offer a cue to investors. Strengthening of the affiliation with the eminently successful and progressive Missouri Pacific is certainly not to be ignored.

As a matter of fact, the Texas & Pacific occupies decidedly more than a casual place in the greater system, furnishing as it does entrance to New Orleans, Shreveport, Fort Worth and El Paso, while its line between Texarkana and Longview Junction connects the Missouri Pacific with its other subsidiary, the International Great Northern, thereby constituting a direct if short bridge in the system lines from St. Louis to Houston and Galveston on the Gulf and Laredo on the Rio Grande where connection is had with National Railways of Mexico.

Texas & Pacific is made up virtually of all main line mileage with few branches, the main stem extending from New Orleans through Shreveport, La., and Fort Worth, Texas to El Paso on the New Mexican and international border, the last 92 miles being operated under trackage rights over the Southern Pacific. The company holds in fee practically all its other mileage, owning 1,848 miles out of the 1,953 miles operated. Out of this 1,477 miles may be designated as main and 370 miles as branch line. The important units in the latter are the branch extending from a point on the main line opposite Baton Rouge up the Mississippi to Ferriday where connection is made with the River division of the Iron Mountain and the Texarkana-Shreveport line, 70 miles, also classed as branch line.

Texas & Pacific has never been anything but well situated as regards local traffic. Thus it has a short competitive route between Fort Worth and New Orleans, Dallas and New Orleans and Fort Worth and Dallas, while between El Paso and New Orleans its mileage compares about evenly with the Southern Pacific. As regards interchange traffic, particularly between St. Louis and southwestern points, the company in conjunction with its Missouri Pacific and International Great Northern allies is well placed. Although faced with somewhat shorter competitive routes to Dallas, Fort Worth, El Paso and New Orleans, the Texas & Pacific is a link in the short route to San Antonio, Houston and Galveston. Unfortunately, the last named routes involve only about 90 miles of Texas & Pacific lines a not significant proportion.

Some changes have, of course, come into the competitive and interchange picture since 1920. Thus the Texas & Pacific has unquestionably lost through business formerly received at El Paso from the Southern Pacific since the latter acquired the El Paso and Southwestern over which in conjunction with the Rock Island the best route to Kansas City and St. Louis is afforded. On the other hand, this should be more than compensated by business resulting from the improved service, increased aggressiveness and more unified operations within the Missouri Pacific system of which it is a part.

New Oil Developments Favor Traffic

Moreover, the current year promises something in the nature of a killing for the western line of the Texas & Pacific at Midland, Texas, where a very large oil development seems assured as soon as the weather permits commencement of drilling operations. Texas & Pacific as the only road serving this point will enjoy the origination of the outbound business while it and its affiliated lines should be the principal beneficiaries from the inbound tonnage. This knowledge has perhaps been a factor in Missouri Pacific's acquisition of additional stock.

As it stands today Texas & Pacific is one of the strongest of the smaller and recently reorganized companies. Its capital structure is excellent, there being debt of but $48,000,000 against share capital of $62,000,000 outstanding respectively at $26,000 and $34,000 per mile or $60,000 in all, the ratio of debt to capital being approximately 1 to 1.3. The distribution of freight tonnage between commodities is excellent and shows a decided trend in relative importance away from agricultural products and toward the high revenue producing manufactures and miscellaneous classification. The change in the last decade is revealed in the following table, in which not only a better diversification but a greater stability is unmistakably and graphically revealed.

Texas & Pacific

Table I—Earning Record

Year	Net Income	Int. on Inc. Bonds or Pfd. Dividends (Thousands)	Earned on Common Per Share	Additions & Betterments (Thousands)
1916	$3,487	....	$5.77	$1,418
1917	4,236	....	7.75	2,421
1918	1,681	....	1.16	1,362
1919	1,890	....	1.70	3,454
1920	2,951	....	4.44	7,434
1921	2,740	....	3.89	472
1922	1,772	....	1.39	2,160
1923	3,433	....	5.68	4,829
1924	3,892	$ 722	6.87	4,086
1925	3,835	1,199	6.77	8,401
1926	3,941	1,199	7.07	....

Table II—Essential Statistics

Date	Dec. 31, 1925	Dec. 31, 1915 (Thousands)	Increase
Road and Equipment......	$145,086	$109,046	$36,040
Other Investments	2,026	1,632	394
Total	$147,112	$110,678	$36,434
Funded Debt	48,186	55,816*	7,630**
Preferred Stock	23,703	......	23,703
Common Stock	38,755	38,755	......
Total	$110,644	$94,571	$16,073
Working Capital	8,082	2,710**	10,792
Depreciation Reserve	6,351	2,531	3,820
Surplus	36,787	10,227	26,560

* Includes $24,662 income Bonds.
** Deficit or Decrease.

Year Ended	Dec. 31, 1926	Dec. 31, 1916	Increase
Gross Revenues............	$35,450	$20,859	70.0%
Net Operating Income......	6,240	4,965	25.7
Charges—Net	2,299	1,478	55.5
Net Income...............	3,941	3,487	13.0
Mileage	1952.96	1946.5	0.3%

(Please turn to page 853)

Part XIII. Important Principles of Trading

A Series of Articles for Investors, by JOHN DURAND

TRADING It is beyond the province of the present series of articles to discuss investments made solely for income, or to explore the attractive possibilities of Spec-Investing in Bonds and Preferred Stocks. Files of THE MAGAZINE OF WALL STREET are replete with practical suggestions covering both these fields. The writer recalls, for instance, an investigation made not so long ago, which disclosed that a spec-investment income of over 30% per annum could have been realized by merely arranging to have one's banker carry on conservative margin the list of bonds recommended in the Magazine's Bond Buyer's Guide department.

There is no clear dividing line between Speculation and Trading. To hold a stock for years in expectation of a substantial increase in price is a form of Speculation, whether the certificate be owned outright or carried on margin; but it can scarcely be termed "Trading." *Trading* is the more active type of Speculation in which purchases and sales alternate at relatively shorter intervals—as in Scalping, or when following the Speculative or the Manipulative Swings. Since Scalping can no longer be regarded as a satisfactory mode of operation, this limits the scope of pure Trading activities to the pursuit of such profits as may be derived from the Speculative and the Manipulative Cycles.

ARBITRAGE Arbitrage, as a form of Trading, is *sui generis*. When conducted intelligently, with a background of sufficient experience, fortified by an extensive familiarity with requisite information, about the only risks involved are associated with possible interruptions in communication, or an occasional miscarriage of corporate plans (as when the proposed Nickel Plate merger was turned down last year by the Interstate Commerce Commission). Losses occasioned by such mishaps, however, while diminishing paper profits, seldom eat into capital. With risks so low, the returns are also naturally small, especially in relation to the relatively large amount of capital required.

Before embarking upon any seemingly attractive venture into the Arbitrage field, it is well for the novice to bear in mind that this is a highly specialized business in which few genuine opportunities to "make a killing" ever escape the hawk eyes of professionals. The pot of gold in this field has a way of shrinking to a silver thimble when all the facts are ascertained.

The current spread between U. S. Steel common and the "when issued" stock is a case in point. At yesterday's closing prices (date of writing) one could buy 1,000 shares of the common at 155⅞, go short of 1,400 shares of the "when issued" stock at 112⅞; then deliver the 1,000 long stock, plus the contemplated 40% stock dividend when the certificates are issued about three months from date, thereby closing both trades. The accompanying calculation shows that probable profits from the completed Arbitrage transaction would work out at the rate of about 11% per annum (somewhat less for odd lot accounts) on the amount of capital tied up as margin.

AIRCASTLES About the worst obstacle that a beginner has to overcome in Wall Street is his own exaggerated expectation of the profits that may be made there. It

An "Arbitrage" Operation in U. S. Steel

	Dr.		Cr.
1,000 Steel, at 155⅞	$155,875.00	1,400 Steel, at 112⅞	$158,025.00
Commission on 1,000 long stock	250.00	February dividend on 1,000 shares, long stock	1,750.00
Commission on 1,400 short stock	350.00		
Stamp taxes on 1,400 shares	56.00		
Interest (3 mos., at 5½%) on difference between cost of 1,000 long stock, and required margin of $78,000.00 (on both commitments)	1,079.80		
	$157,610.80		
Profit on completed transaction	2,164.20		
	$159,775.00		$159,775.00

looks easy to average ten points a month on a 10 point margin. But—aside from the suicidal risk of carrying volatile stocks on a 10 point margin, and the fact that no reliable broker would accept such an account—let us see where cold figures would land us. Average profits of 100% a month would enable one to run a thousand dollars into four millions by the end of a year; and in two years it would swell to sixteen trillions, more than all the wealth in the world!

Let us try something that looks more reasonable—*one* point a month, on a 20 point margin—if maintained for 30 years, say from age 25 to age 55, one would finally be carrying on margin six times the total number of shares now listed on the New York Stock Exchange!

With a little more conservatism, however, one enters the realm of the possible, though highly improbable. An average profit of one point a month on a 33 1/3 point margin, if maintained for 30 years, would enable one to run an initial trading capital of $1,000 into ten millions.

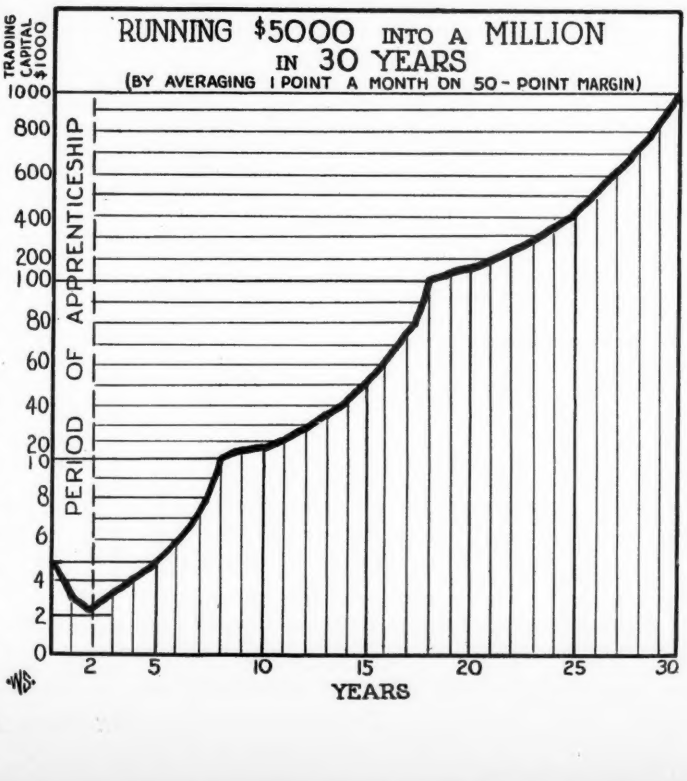
A MILLION FROM A SHOE STRING

Coming down now to a basis of operation that is reasonably practicable, we find that an average profit of one point a month (24% per annum) on a 50 point margin would enable a skilled and cautious trader, in 28 years, to compound $2,500 into a million. On the last trade, near the end of the 28-year period, he would be carrying only 20,000 shares on the 50 point margin; which is not an excessive load, especially if distributed over a diversified list. We shall take this goal as a text to bring out certain points that have not hitherto been sufficiently stressed in published discussions of margin trading methods.

WORKING CAPITAL

To run $2,500 into a million on the basis here assumed, necessitates the reinvestment of all profits in the business, and hence presupposes an independent source of income for personal expenses. Another $2,500 should be available as a reserve upon which to draw during the first few years to reimburse the trading account for losses sustained while acquiring the knack of netting a point a month. During this period of apprenticeship, in fact, one should not count upon deriving any spending money whatever from trading operations, however large the available trading capital; for there is nothing more subversive to calm judgment than the necessity for making a definite sum of money within a specified period of time. Old timers have a saying: "Never trade to make a suit of clothes." You might buy a whole wardrobe for yourself and family for what that one suit would probably cost.

If the Stock Market is to be your sole source of income, a much larger capital will be required. With personal expenses of $400 a month, for example, you should have $10,000 for spending money to finance at least two years of non-productive apprenticeship; and then have available $20,000 for additional trading capital upon which to begin earning living expenses at the rate of 24% per annum. In a nutshell the beginner should have a minimum working capital of $5,000, if blessed with an independent source of income; but no less than $35,000, if he plans to draw $400 a month out of the stock market. Two thousand five hundred dollars of this amount is likely to be lost in trading, and $10,000 consumed in expenses. These are unromantic figures; but failure to budget one's ambitions has checked many a promising Wall Street career.



ONE POINT A MONTH

To maintain this seemingly modest rate of profit, year after year, calls for unusual skill and a carefully thought-out plan of operation. We shall assume that the trader has learned to go short of a declining market with the same facility that he goes long when the trend is upward: otherwise he must average two points a month while prices are advancing to compensate for being out of the market during the remaining half of the time. But this still leaves accidents, trading expenses, and faulty judgment to reckon with.

ACCIDENTS

The trader who undertakes to accumulate a fortune by re-investing all his profits, constantly stands in danger of having his program set back several years by some overnight catastrophe that could not possibly have been foreseen. The President might be assassinated; flood or earthquake might destroy a company's plant just at the time when one happened to be long of its stock; or the specialist might refuse to accept stop orders in a stock some hectic day when the trader could not be reached by telephone. Occasionally there will be a very wide opening in a stock without any apparent explanation.

In the "long enough" run such accidents will catch the trader on the right side of the market half the time, and so offset one another; but the damage may be done before the Law of Averages begins to operate. Of less serious import are the time losing accidents—such as illness, enforced absence from the "Street," wartime closing of the Exchange, etc.—which reduce the annual rate of profit. Disasters do not happen often; but the menace is always possible, even in the twenty-seventh year, when one may be only a few months away from the million dollar goal.

As insurance against catastrophies, the plan of trading should be laid out to net *two* points a month. One point a month, *cumulative*, must then be set aside as a liquid reserve from which to reimburse the account for extraordinary losses. *To illustrate:* if you lose three points in two months, and then make nine points the third month, draw out three points in cash for the reserve fund.

TRADING EXPENSES

Each completed trade carries certain direct expenses which diminish profits and add to losses. These consist of *Commissions*, which vary with the market price of the stock; *Interest* on debit balances; Federal and New York State Transfer *Taxes;* and the *Spread* between bid and ask prices at both ends of the trade. A conservative rule to follow is to allow a full point for expenses on each closed trade. Accounts kept in this approximate manner will ordinarily yield slightly lower credit balances than those dis-

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closed by the broker's monthly statements. Most brokers now charge a minimum commission of three dollars on each transaction (i. e., six dollars per "round trip"), which renders it inadvisable to trade in less than ten-share lots, except for experimental purposes.

YOUR BROKERS Failures are rare among New York Stock Exchange houses, yet the contingency should not be overlooked when planning a 28-year campaign. The trader should thoroughly investigate his broker's standing—not only before opening an account, but periodically thereafter. An added precaution is to divide the account among several firms as one's capital becomes large enough to render this expedient. Another advantage of such an arrangement is that, when investment or market information is needed, more can be learned from five brokers than from one. In none of these accounts should the cash margin be permitted to drop below $5,000, for this is the minimum with which 100 shares can be carried on 50 point margin. Less margin introduces the added expenses of odd lot trading.

FAULTY JUDGMENT Even the best of traders will commit errors in judgment, and hence be confronted from time to time with the crucial problem of what to do about paper losses. It is, evidently, fatal to the Point-a-month plan to allow paper losses to run on indefinitely, for such practice may be destructive of trading capital, and is wasteful of time that might be used in making profits. Fortunately, loss of time is less costly than loss of points; so that both difficulties will be settled at one stroke by deciding how far to let a loss run before closing the trade. It may be shown by the mathematical laws of chance and probability that *no gross loss should be permitted to extend beyond about one-third of the average size of the swings which one is undertaking to follow.*

Take the price movements in U. S. Steel Common as an example: *Manipulative* swings here average about 33 points; so that the trade should be closed if the price moves 11 points against you. But when playing the *Speculative* swings, which average only 12¼ points, no loss should be permitted to exceed 4 points, gross (or 5 points, net—allowing a point for expenses). In fact, the following modification of this rule should govern trading in the speculative swings of any active common stock: *"Never permit a stock to go more than 4% of its market price against you (4 points, for issues selling below 100)."* For manipulative swings, the rule would be 11%: minimum, 11 points. For *Investment* swings—30%.

In the writer's opinion, *no trader will average a net profit of one point a month over any considerable period of time unless he can be right on the trend at least twice as often as he is wrong*—i. e., unless at least two-thirds of his trades are in the direction of whatever type of price movement he is undertaking to catch. This is far from an easy standard of forecasting efficiency to attain; but it can be, and is being, done.

Let us apply these principles to U. S. Steel. This stock produces about 24 *Speculative* swings in twelve months, and so calls for about 24 trades a year. If right on the trend two-thirds of the time, you would be stopped out on 8 of these trades, under the 4-point rule—thereby losing 40 points, net. Of the remaining 16 trades, according to the law of averages, 2 will be stopped out—at a net loss of 10 points. This leaves total losses of 50 points, plus a year's profit of 12 points, plus an accident reserve fund of 12 points—74 points in all—to be made up on the remaining 14 trades in which your judgment was correct.

There is a much quoted saying, to the effect that a man can make money in Wall Street if he is right only 4 times out of 7. In our example, the trader would be right 7 times out of 12, which is practically the same ratio. But we have amplified the slogan by adding that a losing trade should not be permitted to go more than 4 points against one, while the remainder must show an average profit per trade of at least 5.3 points net, which means 6.3 points gross. This implies that, on an average, the trader must catch at least half of the full amplitude of each *Speculative* swing on which he is not stopped out. In other words, he must buy within 25% of the bottom, then close out and go short within 25% of the top, of each *Speculative* swing that yields him a profit. The feat is possible, but far from easy.

To net 24% a year from the *Manipulative* swings, under the trading conditions here assumed would make it necessary to catch nearly 80% of the full price range of each swing on which the trader is not stopped out. This indicates that one's forecasting and trading efficiency must be greater, for a like rate of profit, on the *Manipulative* than on *Speculative* swings.

DIVERSIFICATION The Law of Averages warns us of the danger that half one's accumulated capital may be wiped out every thirteen years, when averaging two trades a month under conditions here assumed. This added menace arises from the possibility that five trades may be stopped out in succession, at a loss of five points each. The risk of running into a chain of successive losses increases with the frequency of trading. *And one who is continually trading in and out will almost certainly "go broke" eventually.*

If the trading frequency be kept within reasonable bounds, one may practically eliminate the risk of compound losses by carrying several different issues simultaneously. If the risk be distributed among five different stocks, there is only one chance in 200,000 of losing half one's accumulated capital at any time within the 28-year period on account of stopped out trades—*provided,* trading efficiency is at least equal to that postulated in the foregoing sections.

Market conditions of recent years have been ideal for diversification; for individual stocks show a marked tendency to move independent of the general average. It is now quite possible to be long of some stock and short of others simultaneously, and yet make money on each. Diversification yielded less protection in pre-war markets, when price movements in individual stocks all followed a few "leaders." When distributing one's commitments among several stocks, it is important that an equal amount of trading capital be allotted to each issue. This means, for instance, that you would carry four times as many shares of a $50 stock as of one selling at $200.

MARGINS Though the plan here outlined calls for 50% margins on Speculative-Cycle trading, it is well to place one's account with some safe and sound broker who would be satisfied with 20%. Then always allow on each stock 2½ times as much margin as your broker requires. The resulting freedom from all margin anxieties will of itself add many points to your profits.

TRADING RECORDS The writer has undertaken to present the ordinary pitfalls of speculation in great detail, and has

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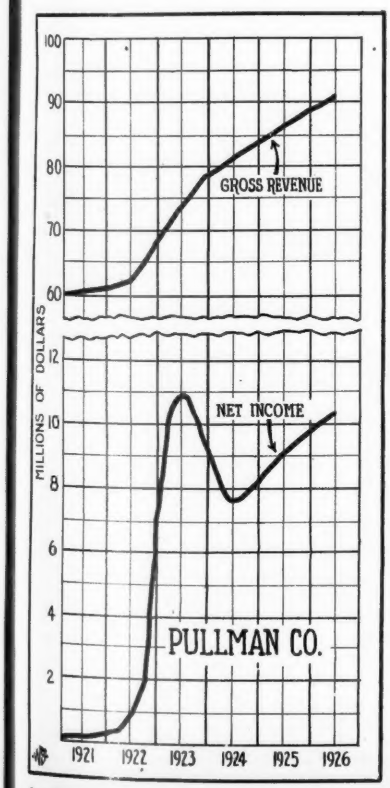
What Will Recapitalization Mean to Shareholders?

An Analysis of Dividend Possibilities

By J. K. LAUGHTON

As a result of the Pullman Company's announcement of plans for a readjustment of the company's capital structure, the time is close at hand when the shareholders may expect to receive a more liberal distribution of the company's earnings than has been the case heretofore. Not since 1910 when a stock dividend of 20% was made, have the stockholders received more than the current rate of $8 per share annually.

The directors now propose that a new holding company be formed to acquire the entire capital stock of both the parent company and its subsidiary, the Pullman Car and Manufacturing Company. Present holders of the Pullman Company stock will receive two and a half shares of new stock for each share of old stock held. While no rate has been suggested on the new shares, it is intimated that $4 or $5 a share annually will be paid. A $4 rate would be equivalent to $10 a share on the old stock and a $5 payment would amount to $12.50 annually on the old issue.



Of primary importance is a consideration of the factors determining the rate of dividend that will ultimately be paid on the new stock. In this connection it would be well to analyze the company's earning power and financial condition over a period of years.

The Pullman Company enjoys the exceptional position of being the only corporation of its kind in the country. Its earnings are derived from three sources. Primarily, its largest revenues result from car operations, but in addition, the company receives dividends from its subsidiary, the Pullman Car and Manufacturing Company. The latter, though holding a position of considerable importance in the equipment industry, has no doubt been obscured by the parent company. However, in view of its furnishing more accurate information since 1925, its great value as an integral part of the new company will become more generally recognized. The third source of revenue of the Pullman Company results from its strong financial condition. The company is a large holder of high grade securities and equipment trust certificates.

It would be worth while at this point to study the company's progress since 1921. Earnings in that year declined due to the general depression and in addition the burden of 50% surcharge was also imposed at that time. The extra charge has no doubt been responsible for the failure of the company to make a more favorable showing than has been the case. Nevertheless, the progress since then has been steadily upward in both gross and net revenue as shown in a accompanying table.

Year Ending July 31	No. of Cars Owned	Gross Revenue from Car Operations	Gross Revenue per Car	Net Income	Net Income per Car
1921......	7,750	$60,315,718	$7,780	$173,803	$22
1922......	7,674	62,548,406	8,175	327,891	40
1923......	7,665	76,906,665	10,000	10,919,891	1,430
1924......	7,791	81,240,688	10,400	7,698,636	995
1925......	8,510	83,927,749	9,850	9,381,406	1,100
1926......	8,739	90,831,275	10,400	10,390,406	1,190

As in all enterprises the question of management is a factor of great importance. Here again it would be well to study the nature of the company's operations. The company, though enjoying an absolute monopoly, must nevertheless conduct its operations in such a manner that the greatest possible revenue is derived from the proper allocation of its cars. When one considers the fact that the company's operations extend throughout the country and its cars are naturally limited in number the following data will attest to the efficiency of the management:

From the foregoing figures one may conclude the ability of the management leaves little to be desired. In spite of the fact that the number of cars increased from 7,750 in July, 1921, to 8,739 in July, 1926 or 12.5%, gross revenues per car advanced from $7,780 to $10,400, an increase of approximately 35% during the same period. The figures for the net income also reflect satisfactory progress in this direction. From July 31, 1924 to July 31, 1926 net income per car advanced from $995 to $1,190 annually or an advance of approximately 19% as compared with an advance of 11.5% in gross revenue during the period. During the years ending July 31, 1924 and July 31, 1926 cars increased but 12%.

Another sharp improvement is noticeable in the amount of net income from operations available for dividends. Although the current $8 dividend was not earned from car operations, improvement in this direction is noteworthy. For the year ending July 31, 1921, less than thirteen cents per share was earned from operations as compared with $7.70 per share from opera-

tions for year ending July 31, 1926. That the company is making satisfactory progress in its operations is quite evident from the following table:

Year ended July 31	Earned per Share—Car Operations
1921	$0.13
1922	.24
1923	5.85
1924	5.70
1925	6.93
1926	7.70

It would be well to consider next the question of income from securities. From year to year the company has been able to report substantial sums of cash and marketable securities on its balance sheets. These securities not only afford an income return but no doubt increase in market value. In the years prior to 1925 the company reported income from securities and dividends received from the subsidiary as one item, but since then these items have been reported separately. It is possible to determine roughly the annual return afforded on the basis of the average cash and securities carried during the year. The following table will aid in determining this income:

Year Ending July 31	Cash and Securities Reported	Average	Actual Income as Reported on Investment	% on Average
1919	24,089,755	31,911,706	not reported	...
1920	39,733,658	36,446,754	not reported	...
1921	33,159,861	36,615,526	not reported	...
1922	40,071,190	41,422,539	not reported	...
1923	42,773,888	44,580,271	not reported	...
1924	46,806,383	41,352,706	3,140,603	7.4
1925	35,899,030	34,525,045	2,906,235	8.3
1926	33,151,061	....	....	...

By taking the actual income from securities reported as of July 31, 1926 it is possible to determine the per cent return on the average cash and marketable securities carried during that fiscal year. For instance, the income from securities as of July 31, 1926 was reported as $2,906,235. The cash and securities as of July 31, 1926 was equivalent to $33,151,061, and for July 31, 1925 this item was carried at $35,899,030. The average, therefore, is equal to $34,525,045, and by dividing the income by the average cash and securities during the fiscal year we find that 8.3% is earned. Likewise for the fiscal year ending July 31, 1925 the income earned was reported at $3,140,603, and the average cash during the period was equal to $41,352,706. The yield on this amount is 7.4%. Both these results, namely 7.4% and 8.3% are reasonable. The actual yield on securities of the quality carried is undoubtedly low due to their high quality. A return approximating 5% would be fairly accurate. The remainder is no doubt due to price appreciation. In view of the nature of the securities held, an average return of approximately 7.85% may be regarded as the basis for determining the actual income earned from securities in the past when such results were not separately reported.

The object in determining this amount is to attempt to judge with some degree of accuracy the dividends paid by the Pullman Car and Manufacturing Company to the parent concern. The first step would be therefore to determine the income from securities in the manner described. By subtracting this amount from the total miscellaneous income the amount paid by the subsidiary is then available. A subsequent table will afford a rather rough idea of the real worth of the Pullman Car and Manufacturing Company to the parent concern. No doubt the real element of value in Pullman may be found in its investment in its subsidiary.

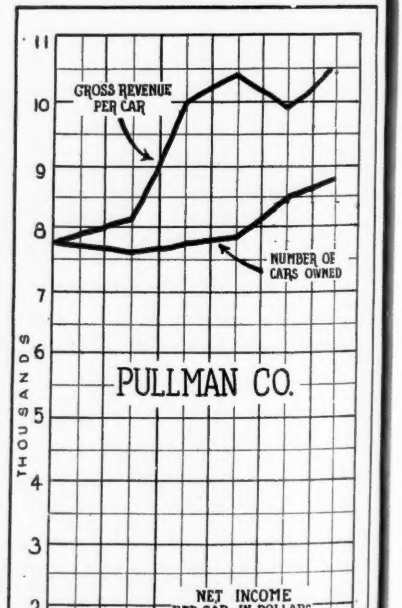
Year Ending July 31	Average Cash	Annual Income on 7.85% Basis	Other Income	Estimated Dividends from Subsidiary
1920	$31,911,706	$2,500,000	$2,769,777	$269,777
1921	36,615,526	2,880,000	5,947,182	3,067,182
1922	41,422,539	3,250,000	3,944,631	694,691
1923	44,580,271	3,500,000	5,967,678	2,467,678
1924	41,352,706	3,250,000	7,904,426	4,754,426
1925	....	....	....	....
1926	....	....	....	....

These figures give a general idea of the subsidiary company's earnings. The value of the acquisition of Haskell & Barker in 1922 has already been reflected in the steadily growing earning power of the Pullman Car and Manufacturing Company. The former company was an old established equipment manufacturer which prior to its being acquired by the Pullman Company reported the following earnings:

Year Ending Jan. 31	Net Income before Federal Taxes
1917	$829,618
1918	2,430,860
1919	3,936,917
1920	3,127,653
1921	3,278,319

The foregoing figures reveal the additional earning power added to the Pullman Car and Manufacturing Company. Moreover, the financial strength of the latter shows the extent to which the parent company can draw upon its subsidiary. As of July 31, 1924 the Pullman Car and Manufacturing Company reported cash amounting to $11,166,496. For the years ending July 31, 1925 and 1926 it reported net income of $6,816,993 and $6,826,600 respectively. A total of $6,249,938 was paid in dividends during these two years. Yet as of July 31, 1926 the Pullman Car and Manufacturing Co. reported cash, government securities and equipment trust notes amounting to $22,066,758. Total current assets as of that date were equivalent to $39,350,534 as against current liabilities of $4,857,090, or net working capital of $34,493,444. That the subsidiary could pay much larger dividends is also quite apparent.

It is quite possible now in the light of the foregoing analysis of the Pullman Company's sources of income to determine with some degree of accuracy what dividend rate the management may authorize on the new stock. The new holding company will have 3,375,000 shares of stock outstanding, persumably of no par value. An annual payment of $4 per share would require $13,500,000 on the proposed amount of stock outstanding, and to pay $5 a share $16,875,000 would be



necessary annually.

The conservative policy of the management should be taken into consideration at this time. While as liberal a rate as is possible will be inaugurated it will only be such a payment as can be maintained at all times, in years of depression as well as prosperity. The company's dividend record is an excellent one, cash dividends having been paid without interruption since 1877 and since 1900 the $8 annual dividend has always been paid. In addition stock dividends of 36% and 20% were paid in 1906 and 1910 respectively.

Since 1923 earnings have shown a steadily rising tendency and in the past two years the company has begun to show net income in excess of the amount required to pay $5 on the new stock. For the years ending July 31, 1925 and 1926 net income of $17,338,972 and $18,123,241 respectively was reported. However, the improvement in net income during the past two years is insufficiently stabilized to be regarded as a basis for establishing a $5 rate on the new stock. Already results at hand for the first five months ending December 31, 1926 show gross revenue as almost equal to that reported a year ago. However, net income from operations for the same period was reported at $3,751,934 as compared to $5,605,679 for the five months ending December 31, 1925. Consolidated earnings per share for the first quarter ending October 31, 1926 were $3.62 as compared to $4.29 in the quarter ending October 31, 1925. Until net income becomes sufficiently stabilized at such a figure as to warrant the payment of $5 a share the latter rate cannot be regarded as possible in spite of the strong financial condition of the operating and the manufacturing companies. At best, it would seem that payments of $4 a share annually and occasional extras are all that could be hoped for at present. The parent company will also be dependent on the manufacturing company for larger pay-

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Preferred Stocks

CLUETT PEABODY 7% preferred and Remington Typewriter second 8% preferred stocks have been removed from our Preferred Stock Guide. These two issues appear to have limited possibilities of further price enhancement and better yields are obtainable elsewhere.

Pure Oil 8% preferred has also been eliminated from our list. While we regarded the stock as sound, the fact that it is subject to redemption at $110 a share detracts from its desirability as a permanent holding under existing conditions, particularly as it is selling well above the call price.

Holders of these stocks may switch to Standard Gas & Electric 8% preferred, St. Louis Southwestern 5% preferred and Engineers Public Service 7% preferred. The last two stocks are new additions to the guide.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr.-Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	6.0	No	67	47	76	5.?
Chicago & Northwestern	7 (N)	..	No	125	95	129	5.4
Chesapeake & Ohio Conv.	6.5 (C)	F14.8	115	F130	F96	157	4.1
Colorado & Southern 1st	4 (N)	8.9	100	66	47	75	5.3
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	103	5.8
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	4.5	110	O99	O92	101	5.9
North American	3 (C)	6.1	52.50	50	31	51	5.9
Philadelphia Company	3 (C)	6.5	No	49	30	51	5.9
Public Service New Jersey	8 (C)	3.4	No	F119	F95	126	6.4
INDUSTRIALS							
American Smelting & Ref.	7 (C)	2.4	No	115	63	121	5.8
American Steel Foundries	7 (C)	6.6	110	113	78	113	6.2
Associated Dry Goods 1st	6 (C)	4.6	No	102	55	101	5.9
Baldwin Locomotive	7 (C)	2.6	125	117	95	118	5.9
Brown Shoe	7 (C)	3.1	120	109	79	115	6.1
Endicott Johnson	7 (C)	4.8	125	117	87	117	6.0
General Motors	7 (C)	F13.9	125	115	63	120	5.8
Studebaker Corp.	7 (C)	25.0	125	125	83	121	5.8

For Income and Profit

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr.-Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	107	6.5
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	71	5.6
Kansas City Southern	4 (N)	2.7	No	59	48	67	6.0
Pere Marquette Prior	5 (C)	8.5	100	85	50	95	5.3
St. Louis-San Francisco	6 (N)	9.1	100	92	28	97	6.2
St. Louis Southwestern	5 (N)	2.6	No	78	28	79	6.3
PUBLIC UTILITIES							
American Water Works & El.	7 (C)	4.0	110	103	48	106	6.5
Brooklyn-Manhattan Transit	6 (C)	T3.0	100	83	34	87	6.9
Engineers Public Service	7 (C)	S2.4	110	N99	N94	98	7.1
Federal Light & Traction	6 (C)	5.0	110	T89	T74	94	6.4
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	113	6.2
Hudson & Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F25	81	6.2
West Penn Electric	7 (C)	..	115	O100	O96	102	6.9
Standard Gas & Elec.	4 (C)	2.5	No	57	32	59	6.8
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	110	6.4
American Cyanamid	6 (C)	3.1	120	96	52	88	6.6
Armour & Co., of Del.	7 (C)	H2.3	110	H100	H84	95	7.4
Bush Terminal Buildings	7 (C)	1.1	120	103	87	107	6.5
Commercial Credit 1st	6.5 (C)	..	110	N99	N92	81	8.0
Cuban American Sugar	7 (C)	3.8	No	106	68	102	6.9
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	108	6.5
Gimbel Brothers	7 (C)	4.3	115	F114	F95	102	6.9
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	99	7.1
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	100	7.0
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	114	6.?
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	109	6.?

SEMI-SPECULATIVE

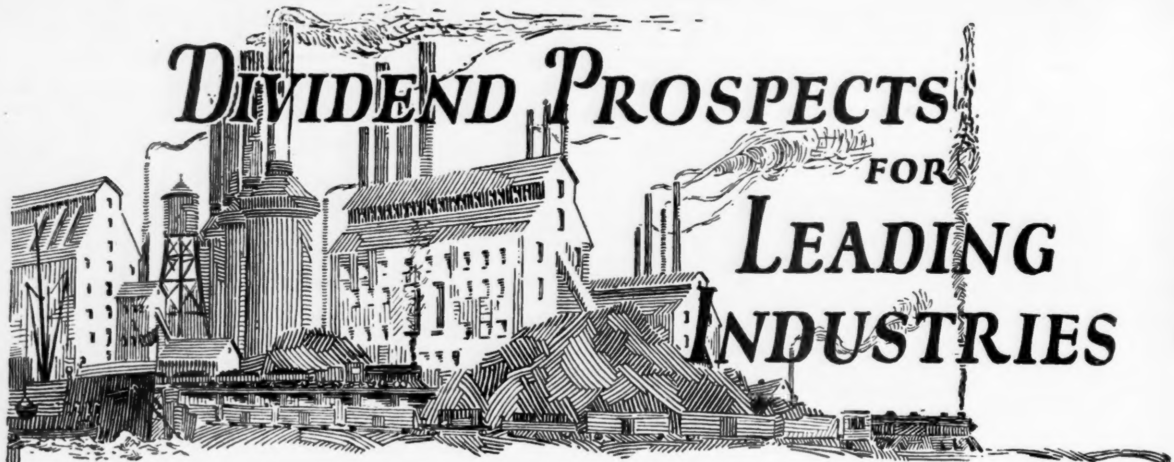
	Div. Rate $ per Share	Div. Times Earned— 5-Yr.-Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Chicago, Rock Island & Pac.	7 (†)	1.5	105	105	68	106	6.6
Gulf, Mobile & Northern	6 (C)	1.2	No	109	15	107	5.6
Wabash "A"	5 (N)	..	110	73	18	87	5.8
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	94	7.5
Consolidated Cigar	7 (C)	2.5	110	96	53	102	6.9
Dodge Bros.	7 (C)	..	105	O91	O73	85	8.2
International Paper	7 (C)	1.6	115	N99	N86	99	7.1
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	103	6.8
Orpheum Circuit Conv.	8 (C)	2.6	110	F107	F84	106	7.6
Radio Corp. of America	3.5 (C)	3.4	55	54	45	52	6.7
Universal Pictures 1st	8 (C)	7.6	110	O103	O94	100	8.0

SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr.-Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Western Pacific	*6 (C)	F0.9	105	86	51	75	8.0
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	98	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	100	7.?
Willys-Overland	7 (C)	..	110	123	?3	92	7.?

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participate in excess earnings paid $1.44 extra in March. F—Four years. H—Three years. T—Two years. S—One year. N—Price range 1926. O—Price range 1925. § 1921-1925.

Dividend Prospects for Leading Industries



Steel—Metal—Petroleum—Merchandising—Automobile and Accessories—Tire—Building Material—Chemical—Sugar

THE first section of the Dividend Forecast, covering Railroad and Public Utility securities, was published in our last issue. In the current number, the following groups are presented: steel, metal, petroleum, merchandising, automobile, accessory, tire, building material, chemical and sugar. In order that any readers who may not have seen the introductory comment accompanying the first section of the Forecast in the last issue be apprised of the purpose of this feature we take the liberty of repeating what was said:

"In order that the purpose as well as limitations of these tables may be appreciated, it should be understood that the comments are intended to point out dividend *possibilities* rather than *certainties*. That is to say, we have weighed the probabilities in each case and have sought to show in what direction they point without attempting to assert that these probabilities will, in every case, become actual fact.

"By a careful study of general conditions and through knowledge of the peculiar factors surrounding it, it is possible to form reasonably accurate conclusion in respect to a given company's ability to alter or adhere to an existing dividend policy. Obviously, however, to state definitely what course it will actually pursue would be presumptious. This is a question for the management to decide. Ability to increase or begin disbursements to stockholders is not always followed by immediate action since the company directors may well feel that conservatism and the dictates of sound business policy require them to proceed slowly.

"The tables, therefore, are offered as a guide to investors in judging dividend prospects subject to the limitations outlined. To enhance their practical value, each security has been given a suitable rating. These ratings are based primarily upon investment merit rather than speculative possibilities, although the latter have been taken into account wherever necessary.

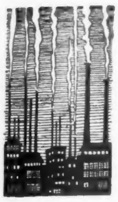
"Thus, stocks marked (A) are considered attractive at current market levels; those that have been given a (B) rating are regarded as unattractive, while in the case of issues that appear to have discounted visible prospects sufficiently in existing market prices, a (C) rating is given. To provide for stocks that have good long pull possibilities but which have reached levels which may be considered high enough for the present, a special rating is assigned, namely, (D)."

The present year is likely to mark a distinct departure from the past two years in respect to the unusual liberality of dividend payments which prevailed in those years. In the first place, the general earnings outlook is not quite as favorable, broadly speaking; and in the second, the majority of companies which have already increased their dividends feel that for the present they should pursue a conservative policy.

Upward revisions of dividend disbursements, consequently, are not likely to be nearly as numerous as in 1925 and particularly 1926. Smaller and weakly financed companies which, owing to several years of general prosperity, have been enabled to continue dividend payments will find competition more acute than ever. Their earnings are likely to be impaired and dividend payments reduced. The large companies, of course, have benefited from years of increasing earnings and, regardless of a recession in their business are easily in a position to maintain existing dividend schedules. While there are still a number of important companies which are expected to declare stock dividends, the number has dwindled owing, of course, to the simple fact that a good many have already taken such action. Total cash disbursements to shareholders in the coming year, however, are not likely to vary considerably from those paid out in the previous year.

Steel and Iron

Industry on Secure Basis Despite Possibility of Smaller Profits



IN the past three years the steel industry has been undergoing a fundamental change. Whereas, in 1924, the daily average of steel ingot production fell from a March peak at 161.8 thousand tons to a midsummer low of 72.2 thousand, in the following year production dropped from 166.2 thousand tons to only 118.6 thousand. Last year, the swing between these two extremes was even more pronouncedly minimized. The drop in steel ingot output was less than 26 thousand gross tons between the Spring high and the July low.

In other words, the steel industry has been acquiring a consistently higher degree of stability. Demand, as well as production, has apparently lost its old time characteristic of wave like fluctuations. In fact, the relatively smooth flow of orders month by month is the foundation for stability in both production and prices that has obtained in the past two years. Though operating schedules have had to be adjusted to the passing of demand against future delivery and the ascendancy of hand-to-mouth buying, the industry seems not to have lost materially thereby.

Obviously, a three-year record cannot be considered conclusive of permanent change, yet it is a fair assumption that nothing short of major shock to general business is likely to dislodge the steel industry from its new position during the current year. Hence, while there was a lapse in the curve of consumption in the two closing months of 1926 and a resultant decline in production which has carried over into 1927, no great slump seems impending.

This falling off was due principally to the slackening in automotive activities and the low volume of railroad equipment orders. The tendency to go slow at the opening of the new year has also had its effect upon steel ordering in other directions so that, instead of the usual acceleration in pace of production accompanying the opening of a new year, a note of hesitancy was manifest at steel mills in January.

In order to encourage flagging demand and sustain production, therefore, the mills recently offered price concessions on certain items. It may hardly be said, however, that price cutting of material proportions has begun or that the stability of the past two years is seriously threatened. Meanwhile, though the tone of the market at this time is not altogether firm, volume of new business has been stimulated as intended and in sufficient degree to permit expansion in operating schedules.

Maintenance of mill activities at high rates exerted a profound influence upon earnings last year since the steel companies were able to hold down overhead costs by employing manufactur-

Position of Leading Steel Stocks

	Earned $ per Share 1925	Earned $ per Share 1926	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	% Earned on Mkt. Price	COMMENT
Bethlehem Steel	$5.30	$7.48	51	37	46	..	..	16.3	In position to resume payments though action will probably be dependent upon first half-year trend of industry. (A)
Byers (A. M.)	s 4.82	s 7.64	44	24	56	..	..	13.6	Position strengthened by acquisition of controlling interest in Oil Well Supply. Seems in line for div. (D)
Central Alloy	N.C.	‡ 3.50	33	28	26	$2.0	7.7	13.5	Consolidation of Central Steel Co. and United Alloy Steel Corp. Earning div. by comfortable margin. No early change likely. (D)
Colo. Fuel & Iron	4.65	‡ 7.00	49	27	59	..	..	11.8	Marked improvement in earnings of last two years foreshadows inauguration of div. at moderate rate. (C)
Crucible Steel	5.05	8.72	84	64	83	6.0	7.2	10.5	Likelihood of increase in rate in view of policy of disbursing liberal share of earnings. (C)
Gulf States Steel	7.18	5.28	93	51	58	5.0	8.6	9.1	Dividend earned by very slender margin last year as result of foreign competition. Outlook uncertain. (C)
Inland Steel	3.54	5.45	43	33	41	2.5	6.1	13.3	Strong financial status and well developed earning power should admit of increase in present rate. (A)
Ludlum Steel	2.97	‡ 2.50	58	22	27	2.0	7.4	9.2	Earnings record not especially impressive. Paying about all current income seems to justify. (B)
Otis Steel	1.06	‡ 2.50	14	8	7	..	..	35.7	Improvement in earnings follows capital readjustment in 1926, but upturn too recent to raise expectations of common div. (D)
Penn-Seaboard	nil	n 0.01	2¼	⅝	¾	..	..	..	Record uninspiring. May avoid deficit for 1926, but dividend possibilities are nil. (B)
Replogle Steel	1.30	n 1.07	15	8	11	..	..	..	Making progress slowly. Fair showing made last year by comparison with former results but div. unlikely. (B)
Republic Iron & S.	6.88	11.05	63	44	62	4.0	6.5	17.8	Div. rate conservative in relation to 1926 earnings but not likely to increase rate unless industry shows improvement over present conditions. (A)
Sloss-Sheffield	15.10	‡ 17.00	142	103	128	6.0	4.6	13.3	Earning capacity highly developed. On basis of showing in recent years could readily pay more. Increase may take form of stock div. (D)
Superior Steel	1.26	2.82	35	19	21	..	..	13.4	Ability to maintain profits at 1926 rate in face of increased competition open to question. Div. outlook cloudy. (B)
Transue & Williams	1.49	nil	27	15	15	..	..	..	Stock has high asset value but div. resumption seems well in the future. (D)
U. S. Cast Iron Pipe	38.84	35.08	248	150	215	10.0	..	16.3	Strong financial position and earnings more than three times current div. rate suggest probability of larger disbursement, possibly stock div. (D)
U. S. Steel	12.86	17.97	160	117	158	7.0	4.4	11.3	Will probably maintain $7 div. rate after payment of proposed 40% stock dividend. (D)
Vanadium	4.39	‡ 4.00	43	29	39	3.0	7.7	10.3	Paid $1 extra in December. Regular $3 rate appears secure at present, but variable nature of earnings renders appraisal of div. prospect difficult. (C)
Va. Iron Coal & Coke	0.68	nil	60	40	46	..	..	..	Inability to show lasting or satisfactory earnings discourages any hope for common div. in near or remote future. (B)
Youngstown Sheet & T.	12.38	‡ 15 00	95	69	87	5.0	5.8	17.2	One of most successful steel companies. Recent increase conservative. Could pay more and seems likely to do so in course of time. (A)

s Years ended Sept. 30. ‡ Estimated. n Nine months. N.C. Not comparable. (A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for the present.

ing facilities intensively. Gains in this direction were supplemented by savings derived from further improvements and increased use of labor-saving devices. Profit margins were thus maintained despite a lower average level of selling prices.

Whether steel companies will be equally successful in thus overcoming the disadvantage of the present competitive, even though relatively stable, price situation is an open question. At present, the probabilities are rather less favorable on this score than otherwise. There is an obvious limit beyond which a lowering of selling prices cannot be wholly offset by operating economies.

At the same time, one of the most important industries contributing to the consumption of steel has recently given some indications of hesitancy. That is, building construction seems more likely to proceed at a slower pace this year than last. Similarly, in the automobile industry, there are evidences of uncertainty which suggest that output in 1927 will fall somewhat below the total of 1926. It is not anticipated that either of these consuming lines will cut steel requirements drastically, but the prospects are such as to suggest a smaller volume of demand by comparison with the previous year. On the other hand, railroad requirements should tend to soften the effects of possible let-down in demand from these quarters.

Thus, while 1926 brought steel company earnings to record peace time levels, it is doubtful that 1927 will be productive of equally excellent results. That is to say, profits are likely to suffer somewhat by comparison with the preceding year, though there is no present basis for belief that net results will be other than satisfactory in themselves insofar as the majority of producers are concerned.

Having behind it three years of experience in stabilizing operations and markets and fortified by substantial additions to working capital, the industry may well face a less active period without serious disturbance. Dividend prospects of certain minor steel companies are not especially promising, as indicated in the accompanying table. Among the larger concerns, however, where no upward revisions appear in the offing, present rates are at least very strongly protected for the most part. Generally speaking, steel shares are not especially attractive at present.

Chemicals

Trade in Healthy Condition—Sustained Demand

INDICATIONS point to profits for chemical companies during the first few months of the year comparable with, although possibly somewhat below, those attained a year ago; 1926 closed with inventories on a conservative basis, production having been held down to a point to conform to an easing off in consumption that took place in the latter portion of the year. With the exception of the fertilizer and alcohol companies, earnings in 1926 registered a material gain over 1925, and if the same general standard of sales can be maintained, the results should be entirely satisfactory, for general conditions do not warrant an acceleration in chemical business.

Chemicals are used so extensively in so many different industries that the state of industrial activity largely determines the status of the chemical trade. General business is pursuing an even course, but demand is hardly keeping pace with the high rate prevailing a year ago, hence the possibility that chemical activity may not quite reach last year's proportions. Prices of chemicals are for the most part measurably lower, but the economies incident to large scale production and more favorable prices for raw materials should serve to maintain the margin of profit on a fairly stable basis. There has already been an encouraging increase in forward orders for various heavy chemicals, indicating a belief on the part of consumers that price declines have about run their course, and that it is no longer advisable to defer covering requirements for the next few months.

The demand for dyes should be stimulated to some extent by the partial recovery now under way in the textile industry. Forward contracts in paint and varnish materials have been less numerous than in the case of heavy chemicals, due perhaps to the prospect of the long awaited recession in building activity, but building operations are still large, necessitating a considerable volume of current demand. There has been a definite improvement in the alcohol situation. Overproduction was in evidence during the first part of last year, but in recent months demand has been heavy and prices have risen accordingly.

Fertilizer continues to be the outstandingly weak link in the chemical trade. In spite of the sounder credit relations which have been built up between fertilizer companies and their customers, there is little encouragement in the outlook for earnings, the collapse in cotton prices having created an impoverished condition in the cotton belt which is bound to have an adverse effect on fertilizer demand.

Position of Leading Chemical Stocks

	Earned per Share		Price Range 1926		Recent	Dividend	Yield	Earned on Mkt. Price	COMMENT
	1925	1926*	High	Low	Price	Rate	%	%	
Air Reduction	$10.02	$12.00	147	107	140	$5	3.6	8.6	Can easily support larger dividend or additional extras. (D)
Allied Chemical	8.18	9.00	149	106	137	6	4.4	6.6	Stock dividend more likely than increase in cash rate. (C)
Amer. Agric. Chemical	‡ 1.02	‡ nil	34	9	13	..	..	..	Dividend altogether out of question this year. (B)
Commercial Solvents	13.82	† 14.58	237	118	235	8	3.4	6.2	Higher return indicated, perhaps by means of split-up. (D)
Davison Chemical	nil	nf	47	23	29	..	..	nf	Insufficient improvement indicated to warrant dividend. (B)
E. I. du Pont	7.50	† 13.98	181	157	176	8	5.0	8.0	Dividend recently increased to $8 regular. Could pay more, probably in extras. (D)
Int'l Agricultural	‡ 1.05	‡ 1.57	26	9	10	..	..	nf	No possibility of dividends under present conditions. (D)
Mathieson Alkali	8.76	†10.22	106	62	91	4	4.4	11.1	Continued improvement in earnings portends dividend increase. (A)
Nat'l Distillers	0.94	nil	34	12	18	..	..	..	Decline in earnings precludes chance for early dividends. (B)
Tennessee Cop. & Chem.	1.03	1.25	16	10	12	1	8.3	10.4	Little likelihood of change in dividend policy. (D)
Union Carbide	7.53	9.00	100	78	102	6	5.9	8.8	Fair chance for another increase in dividends this year. (A)
U. S. Industrial Alcohol	6.74	10.00	84	45	79	5	6.3	12.7	Only recently on dividend basis but could support moderate increase. (A)
Virginia-Carolina	nil	nil	25	9	10	..	..	..	Considerable distance to go before dividend can be considered. (D)

‡ Year ending June 30. † Actual earnings. nf No basis for estimate. * Estimated. (A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for present.

Moreover, pressure is being brought to reduce cotton acreage as far as possible, and it will require time for the fertilizer industry to develop new markets to offset the diminished demand from this source.

The chemical industry is difficult to classify as a whole inasmuch as it includes so many diverse products in various stages of manufacture. As is true of so many industries, capacity is ample for present requirements and competition will continue keen even though a good volume of demand is in prospect. Attractive issues in this group are in the minority, partly because of the depressed fertilizer situation, and partly due to the fact that prosperity in 1926 carried the stocks of some of the leading companies to levels from where intermediate setbacks are not unlikely. On the whole, however, the outlook is promising for several months of sustained profits.

Sugar

Better Outlook and Larger Profit Margins Indicated

FOR the first time in three years the raw sugar market is at a level, which, if sustained, will permit the more efficiently operated Cuban sugar producers to convert recent deficits into moderate profits. After remaining either at or below the cost of production in many cases, an upward trend developed in the middle of last year, instigated in large part by increasing consumption and the restrictive measures adopted by the Cuban government. A limit of 4.5 million tons, applicable to the 1926-27 season, has been placed upon the Cuban output, action which of course is of more benefit to the entire industry than to Cuban producers. The latter, however, can make a far better showing with the margin of profit provided by a sugar market in excess of 3 cents a pound than they have been doing with unlimited production and a depressed market, so that if the restriction on output has in reality been a contributing factor in the improved situation, they will have little cause for complaint.

Cane sugar producers in the United States, possessions and beet sugar producers in this country are in a position of particular advantage, inasmuch as they receive the benefit of the duty of 1.76 cents per pound imposed on imports from Cuba without being subject to it themselves, and are likewise free to produce any volume they desire up to their respective capacities, thus realizing to the full the additional profits made possible by advancing prices. Companies like South Porto Rico Sugar and Great Western Sugar have been able to show good profits during the period of sugar depression, and their earnings may be expected to appreciate accordingly during 1927 provided conditions undergo no marked change for the worse. In such cases the important point is as to whether dividend disbursements will be increased, while in the case of most Cuban companies the chief question to be considered is what chance there is for dividend resumption. The larger Cuban producers have conserved their resources by promptly suspending payments when not warranted by earnings, and for the most part have sufficient financial strength to restore dividens when they can properly do so. The largest producer in Cuba, Cuba Cane Sugar, is an exception as far as its ability to take such action is concerned, on account of the early maturity of its funded debt and the large accumulation of back dividends on the preferred.

The sugar situation is always subject to sudden changes. Much depends on weather conditions, especially seasonable summers, and the state of general business, but as far as can be seen at this time, there is nothing to indicate more than a temporary and moderate recession in the sugar market, and the trend should be to some extent upward, as the present prospect is for a smaller world crop rather than otherwise and there is no evidence of any important decline in consumption.

The statistical position is the strongest in some years. The Cuban carryover was cut in half as compared with a year ago, and judging by appearances the entire supply from that source in 1927 may be marketed. It is necessary to take into consideration the sugar situation in other parts of the world, for the welfare of Cuban producers depends to a large extent upon their ability to dispose of the surplus above the requirements of the United States. With a smaller surplus and production from important sources in foreign fields showing no increase, the outlook in this respect should be satisfactory.

In considering the status of sugar companies, the essential differences between producers and refiners must be taken into account. The former is primarily agricultural in character while the latter is a manufacturing operation. The principal factor in production is the market price of raw sugar, whereas the profits of sugar refiners are regulated not by the selling price of refined sugar but by the spread between the respective prices of the raw product and the refined product. The refiner is more interested in seeing relative stability in raw sugar prices than in having a low price. It was the wide fluctuations which raised such havoc in the post-war years. The current spread is sufficient to provide a satisfactory margin of profit for refining companies, and a too rapid advance in raws sufficient to restrict consumption, an event not indicated at this time, appears to be the only development which might impair the otherwise favorable outlook for the refining interests.

Position of Leading Sugar Stocks

	Earned per Share			Price Range 1926		Recent Price	Dividend Rate	Yield %	COMMENT
	1924	1925	1926	High	Low				
Amer. Beet Sugar	a $8.11	a $6.10	a nil	39	20	24	..	..	Little likelihood of dividend resumption for some time to come. (D)
Amer. Sugar	nil	3.39	‡ $6.00	87	65	82	5	6.1	Should eventually pay more, but such action doubtful this year. (A)
Cuba Cane (Pfd.)	c 6.09	c 1.47	c nil	50	35	49	..	..	Will require considerable period of better times before paying dividend. (D)
Cuban-American	c 6.02	c 1.16	c 0.38	30	20	26	1	3.8	Higher sugar market may permit dividend increase later in year. (A)
Great Western	e 18.26	e 15.88	e 8.96	113	89	111	8	7.2	Earnings under normal conditions would permit more liberal rate. (A)
Manati	d 9.41	d nil	d nil	50	27	44	..	..	Profits respond quickly to improving conditions, but no great chance for early dividend. (D)
Punta Alegre	b 5.50	c 2.61	c 0.17	49	33	45	..	..	Can readily resume payments with a full season of more normal sugar prices. (A)
So. Porto Rico	c 9.58	c 14.79	c 10.54	169	92	168	6	3.6	Dividend increase or equivalent appears only matter of time. (D)

‡ Estimated. a Year ending March 31. b Year ending May 31. c Year ending Sept. 30. d Year ending Oct. 31. e Year ending Feb. 28.
(A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for present.

Merchandising

Sales Continue to Make New Records

ALTHOUGH the year to date has produced a curious mixture of conditions in **manufacturing lines,** current indices point to maintenance of retail distribution at high levels. Chain store sales, especially, are continuing the expansion that has been characteristic of the various units in this field over a long term of years. Monthly reports of the leading concerns show further substantial gains over the January and February totals of 1926. These increases are partly due to the steady addition of new stores to existing chains but also to an insistent demand for commodities based upon the generally satisfactory state of public purchasing power.

The conservative attitude of business men in practically all industries has not tended to interfere with the aggregate volume of commodity distribution. Instead, hand-to-mouth buying has introduced new factors into merchandising policies that have evidently proven beneficial to companies in these lines. That is to say stocks of goods are being held to relatively smaller size than heretofore at the same time that gross sales have increased. Hence, inventory turnover has been accelerated with the result that higher costs are offset by the ability of merchants to convert goods into cash at more rapid rates and at the same time carry on a greater volume of trade without proportionate expansion of working capital requirements.

In the event of a slackening in business activities later in the year, it is possible that retail trade will experience a sympathetic recession but insofar as the chain store companies are concerned, earnings may be expected to at least equal those of 1926. From present indications, the probabilities seem to favor a fair gain, however.

Since most of the larger concerns **have now** readjusted their capital structures through the medium of stock dividends and stock split-ups, 1927 holds smaller possibilities for such distributions than 1926. Cash dividend payments have always been conservative in relation to income owing to the established policy of reinvesting surplus profits in new stores. It is unlikely that there will be any noteworthy departure from this practice, though a number of the chain stores could readily afford to increase present cash payments without at all interfering with the diversion of capital to investment in new stores.

Earnings and dividend prospects of

Position of Leading Merchandising Stocks

	Earned $ per Share 1925	Earned $ per Share 1926	Price Range 1926 High	Price Range 1926 Low	Recen' Price	Div. Rate	Yield %	% Earned on Mkt. Price	COMMENT
Abraham & Straus	....	j $5.78	72	43	66	..	..	8.8	Consistent expansion in gross and net since recapitalization in 1920. Could pay div. (D)
Associated Dry Goods	$4.73	‡ 4.50	58	37	40	$2.5	6.2	11.2	Earnings no longer expanding at rate of previous years but well in excess of div. Could pay more. (A)
Bloomingdale Bros.	j 2.71	j 3.65	42	28	39	..	..	9.3	No div. since capitalization in present form, but growth in net indicates ability to inaugurate payments at fair rate. (A)
First Nat'l Stores	2.53	‡ 2.75	49	28	30	1.5	5.0	9.2	Possibility of increase eventually, but paying about all earnings seem to justify at present. (C)
Gimbel Bros.	j 7.04	j 4.83	78	41	42	..	..	11.5	Does not seem to have struck stride as yet. Dividends still seem remote. (C)
Hartman Corp. "B"	3.15	‡ 3.50	35	24	24	**	11.2	14.6	Business revitalized and unprofitable lines eliminated. Making fair progress. No change likely. (A)
Jewel Tea	5.15	8.89	56	25	57	..	..	15.7	Div. prospects brightening but still has 14% unpaid preferred divs. to clear up. (C)
Jones Bros. Tea	nil	‡ nil	19	9	15	..	..	..	Some improvement shown but common div. outlook far from encouraging. Pfd. div. 17½% in arrears. (B)
Kinney (G. R.)	11.70	‡ nil	82	39	25	..	..	..	Common dividend recently passed as result of unsatisfactory earnings. Outlook uncertain. (B)
Kresge (S. S.)	3.17	3.36	82	42	48	1.2	2.5	7.0	Dividend rate low in proportion to earning power. Could readily support more liberal rate. (D)
Kress & Co. (S. H.)	† 3.99	† 4.11	† 55	† 40	60	1.0	1.7	6.9	Common recently split eight for one. Company proposes to pay extra div. in preferred stock equivalent to 50c a share in addition to cash rate. (C)
McCrory Stores "B"	5.71	‡ 5.80	121	72	64	1.6	2.5	9.1	Earnings well in excess of current div. rate indicate ability to disburse larger payments. (C)
Macy (R. H.)	j 6.70	j 10.05	131	86	137	..	..	7.3	Indications of approximately $12 a share earned in 1927 fiscal year suggest growing possibility of div. (D)
May Dept. Stores	j 5.31	j 6.20	† 72	† 53	68	4.0	5.9	9.1	Earnings for 1927 fiscal year estimated around $7. Stock split two for one Nov., 1926. No early change in div. indicated (D)
Mongomery Ward	8.05	6.25	82	56	67	4.0	6.0	9.3	Increased costs cut into profits last year. No change in div. rate likely. (C)
Nat'l Cloak & Suit	3.45	nil	57	18	22	..	..	..	Prospect for early resumption of common dividend not encouraging. (D)
Nat'l Dept Stores	j 4.04	j 2.31	42	24	25	..	..	9.2	Has, as yet, failed to develop stable earning power. Divs. appear remote. (B)
National Tea	9.72	‡ 10.0	238	110	116	4.0	3.5	8.6	Net profits in first nine months of 1926 indicate ability to adopt more liberal div. policy. (C)
Oppenheim Collins	j 5.19	j 7.84	63	47	59	4.0	6.8	13.3	Divs. inaugurated last October. Relatively consistent earning power. May eventually pay more but no early change likely. (D)
Schulte Retail Stores	5.20	‡ 6.00	55	42	48	3.5	7.3	12.5	Recently established common on $3.50 cash div. basis in lieu of 8% formerly paid in pfd. stock. No further change indicated in near future. (C)
Sears Roebuck	5.17	5.21	58	44	53	2.5	4.7	9.8	Established earning capacity would readily admit of higher div. rate. Possibility of additional stock div. in future. (C)
United Cigar Stores	5.95	‡ 6.00	109	83	95	§ 2.0	2.1	6.3	Stock div. increases indicated yield to 3.4%. No change anticipated. (C)
United Drug	12.76	13.02	174	134	164	8.0	4.8	7.9	Could either pay higher cash div. or distribute extras in form of stock. (D)
Woolworth (F. W.)	† 6.31	† 7.02	† 148	† 90	128	5.0	3.9	5.5	Recent 50% stock dividend seems to measure limit of div. possibilities for some time. (C)

j Years ended Jan. 31. † In terms of present capitalization. ‡ Estimated. § Plus 5% in stock. ** Paying 10% in Class A stock.
(A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for present.

the department store group must be viewed principally from the standpoint of the individual companies since their activities cover a broader range of service than the five and tens. Several of these concerns are comparatively new to investors. That is, their securities represent the recapitalization of old, established enterprises which, until recently, were closely held family affairs. In many instances where the new stocks have not yet been set upon a dividend basis, earnings would readily admit of favorable action at the discretion of the directors.

In the mail order group, dividend possibilities seem colorless. High merchandising costs were reflected in last year's earnings so that while sales increased, net profits did not keep pace. It is probable that somewhat the same situation will prevail during the next few months, though the tendency should be toward improvement. In respect to current income returns, however, the mail order stocks do not hold out very great possibilities at prevailing market levels.

Automobile

Trend Towards Further Concentration of Output

THE automobile industry has assumed such far-reaching proportions and the prosperity of the country has to such a large extent been a reflection of this growth that the outlook for the current year is of particular interest. During the past year there was a further gain in total output, accompanied, however, by declining earnings for the majority of companies, many of the smaller units being hit especially hard. This has been the result of the increasing concentration of sales in the hands of the bigger interests. As the situation now stands, approximately two-thirds of the total automobile production in the country is equally divided between Ford and General Motors, leaving only one-third to be shared by all the remaining companies. It is evident, therefore, that with General Motors still making every effort to increase its output further, which on account of its wide diversity of products it is in an excellent position to accomplish, a condition of intense competition is bound to continue without any let-up in the struggle for existence on the part of the majority.

While the sentiment in the automobile trade is moderately optimistic, there is a general feeling that 1927 production is likely to fall short of that of the last two years. The enthusiasm which existed a year ago is not present and production schedules are on a correspondingly more conservative basis. The purchasing power in some of the agricultural sections, especially in the cotton belt, is considerably reduced, and the novelty of the closed car as an instigator of sales has spent its force to some extent. In order to obviate the necessity on the part of dealers of tying up funds in used cars, the policy of liberal allowances for trade-ins is likely to undergo some modification and a similar tendency in regard to the terms of partial payment sales is likewise probable. This will all serve to place the industry upon a sounder basis eventually, but in the meantime it can hardly fail to be reflected in a smaller volume of business. If measures along these lines are not adopted, the situation might well become difficult to control, and in any case profit margins would be so slim that an absence of properly conservative policies in these respects would defeat its own end.

In the Truck Field

The leading manufacturers of trucks reached the decision several months ago that the time had arrived to call a halt on too liberal credit arrangements and accordingly took steps to stiffen up their requirements. As a result the rate of growth in the output of commercial vehicles, which up to then had been spectacular, was somewhat curtailed. The present outlook appears to indicate but little if any increase in truck sales as compared to last year, but a probable gain in bus business will be an offsetting factor. The important truck and bus manufacturers should be able to hold their own over the next few months,

Position of Leading Motor Stocks

	Earned per Share		Price Range 1926		Recent	Divi-dend	Yield	Earned on Mkt. Price	
	1925	1926*	High	Low	Price	Rate	%	%	COMMENT
Chandler-Cleveland	$3.82	nil	26	8	10	..	..	..	Preferred dividend recently reduced, rendering common dividend outlook negligible. (B)
Chrysler	5.67	$5.00	55	28	43	$3.00	7.0	11.6	Little chance for higher rate under present competitive conditions. (D)
Dodge	4.04	† 6.46	47	21	27	..	..	24.0	Will probably build up greater equity before commencing dividends. (A)
General Motors	19.15	c 21.50	223	113	160	8.00	5.0	13.4	Recently increased regular rate will probably stand, but good chance for further extras. (D)
Hudson	a 16.07	†d 3.36	128	41	64	3.50	5.5	5.3	No larger dividend in sight pending recovery in earnings from 1926 decline. (C)
Hupp	4.15	† 3.48	28	17	21	1.40	6.7	16.7	Moderate extra dividend possible, but will hardly raise regular rate despite larger income. (D)
Jordan	2.91	1.50	66	12	19	..	..	7.9	Dividend recently omitted and outlook for resumption not encouraging. (B)
Mack Trucks	12.20	10.00	159	90	97	6.00	6.2	10.3	Change in dividend unlikely pending period of readjustment of sales methods. (D)
Moon	6.13	1.00	37	10	10	..	..	10.0	Hard pressed by competition with little chance for restoration of dividends. (B)
Nash	a 5.41	†a 8.50	71	52	66	4.00	6.1	12.9	Remarkable progress under existing conditions, but extra more likely than increased regular rate. (A)
Packard	b 4.84	†b 5.27	45	32	35	2.40	7.0	15.0	Could support higher rate, but will probably await developments in industry. (A)
Paige Detroit	3.04	1.25	28	9	10	..	..	12.5	Declining margin of profit does not augur well for dividend resumption. (C)
Pierce-Arrow	2.27	1.75	43	19	21	..	..	8.3	Status of common earnings not yet such as to justify dividend action. (C)
Studebaker	8.34	† 6.45	62	47	53	5.00	9.4	12.2	Decline in earnings precludes much chance for larger dividend, but present rate should be maintained. (A)
White	10.11	c 5.00	90	51	54	4.00	7.4	10.8	Status of truck industry and expansion program will hardly permit rate higher than at present. (A)
Willys-Overland	4.03	3.00	34	22	22	..	..	13.6	Fluctuations in earnings still somewhat too wide to render early dividend probable. (C)

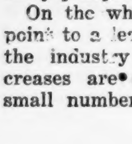
a Year ending Nov. 30. b Year ending Aug. 31. * Estimated. † Actual earnings. c On increased stock. d 13 months.
(A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for the present.

but no sharp increase in profits is in early prospect.

On the whole, therefore, indications point to a lean year in all branches of the industry as far as dividend increases are concerned. There are a small number of fortunately situated companies which may prove to be exceptions, but on the other hand there have been several cases of reductions and omissions of dividends in recent months, and it is reasonably certain that the automotive field offers no sinecure to the investor at this time.

Automobile Accessory and Tire

Competition a Marked Feature of Both Industries



As conditions shape up at present, tire and rubber manufactures should be able during 1927 to produce results midway between the poor showing of last year and the excellent record of 1925. The sharp decline in earnings in the year ending December last was accompanied by a high rate of automobile production and a volume of sales by the tire industry greater than in any previous year, but there were two important factors that worked against prosperity, the severe drop in the crude rubber market involving heavy inventory losses, and a decidedly lower level of tire prices. The latter, in view of the fact that rubber supplies applicable to 1926 production were for the most part acquired at high average prices, was the source of a much reduced margin of profit which could not be overcome by the larger volume of business.

The leading companies were sufficiently far-sighted to make liberal appropriations from their substantial 1925 income to provide against contingencies in connection with the crude rubber market, so that they were better able to meet the unfavorable situation which developed so swiftly than would otherwise have been the case.

The industry is confronted with a probable declining trend in automobile production thus indicating a somewhat smaller demand for original equipment, but owing to the heavy output last year there are some 2 million more automobiles in the country than a year ago. Replacement demand for tires, therefore, is likely to be exceptionally heavy, sufficiently so to more than offset any loss from other sources, so that indications point to another record year as far as the volume of goods sold is concerned.

After the succession of cuts in tire prices already witnessed it would ap-

Position of Leading Tire and Motor Accessory Stocks

	Earned per Share 1925	Earned per Share 1926*	Price Range 1926 High	Price Range 1926 Low	Recent Price	Dividend Rate	Yield %	Earned on Mkt. Price %	COMMENT
Ajax Rubber	$2.01	$1.00	16	7	12	..	..	8.3	Creditable showing under existing conditions, but not as yet a dividend prospect. (D)
Amer. Bosch	2.51	2.00	34	16	14	..	..	14.3	No material improvement from mediocre record of recent years. Little chance for dividend. (B)
Briggs Mfg.	4.07	4.00	37	21	32	$3.00	9.4	12.5	Appears able to support current dividend for present, but no increase in sight. (D)
Collins & Aikman	7.18	8.00	69	35	75	4.00	5.3	10.7	Favorable earnings, but recently inaugurated dividend rate will probably stand for present. (D)
Continental Motors	1.60	†a 1.15	14	10	12	0.80	6.7	9.6	Earnings fairly regular, but not of a nature to expect higher dividend. (D)
Eaton Axle & Spring	2.83	4.00	33	23	25	2.00	8.0	16.0	Showing compares well with other of smaller accessory companies. No dividend change likely. (D)
Electric Auto Lite	8.82	9.00	82	62	71	6.00	8.5	12.7	Dependable earning power under normal conditions, but dividend change improbable. (D)
Fisk Rubber	4.26	†a 1.27	26	14	17	..	..	7.5	Arrears on preferred cleared up, but more stable conditions needed before common dividends. (A)
Gabriel Snubbers	6.57	† 5.17	42	23	32	3.50	10.9	13.2	Some difficulty in maintaining earnings. Another reduction in dividends may be necessary. (B)
B. F. Goodrich	17.33	4.50	71	39	55	4.00	7.3	8.2	Should eventually pay more, but present rate probably a fixture this year. (A)
Goodyear T. & R.	9.45	† 3.78	40	26	30	..	..	11.8	Arrears on preferred and litigation may prevent dividend action for some time. (D)
Hayes Wheel	8.02	1.50	46	17	17	..	..	8.8	Earnings have declined sharply and little indication of restoring recently omitted dividend. (B)
Kelly-Springfield	[illegible]	nil	21	9	10	..	..	..	Continued poor earnings and precedence of two preferred issues render dividends remote. (B)
Kelsey Wheel	11.09	9.00	126	77	80	6.00	7.5	11.2	Recent record compares favorably with competitors, but increased rate not likely under present trade conditions. (D)
Lee Rubber & Tire	1.40	nil	14	6	8	..	..	..	May do better this year, but probably not to extent to justify dividend declarations. (D)
Martin-Parry	b 1.62	b 4.14	[illegible]	17	22	2.00	9.1	18.8	Wide variations in earnings stand in way of higher dividend despite larger income. (D)
Miller Rubber	[illegible]	[illegible]	[illegible]	30	36	2.00	5.6	8.3	In sound position. Moderate increase in dividend possible, depending on trade conditions. (D)
Moto-Meter A	8.97	7.00	53	34	35	3.60	10.3	20.0	Good earnings in combination with low asset value. Current rate appears safe for present. (D)
Motor Wheel	3.74	3,00	34	19	22	2.00	9.1	13.6	Dividend policy depends on automobile prosperity. No early change in prospect. (D)
Norwalk T. & R.	2.21	†c nil	15	4	5	..	..	..	Requires favorable conditions to operate profitably. Little chance of dividend resumption. (B)
Reynolds Spring	nil	nil	10	4	4	..	..	..	Earnings have been on decline for some years. Dividend outlook discouraging. (B)
Spicer Mfg.	5.05	5.00	31	19	23	..	..	21.8	Maintaining good earnings and appears able to establish moderate dividend. (D)
Stewart-Warner	12.57	† 8.51	93	61	64	6.00	9.4	13.3	Leader in accessory field, in position to respond to better trade conditions. Extra dividend possible. (A)
Stromberg Carburetor	7.87	6.00	78	47	49	6.00	12.2	12.3	Small margin of earnings over dividends may necessitate reduction in rate. (B)
Timken Roller Bear.	6.73	9.00	85	44	93	4.00	4.3	9.7	Adaptation of product to railroad uses should enhance earnings. Chance for addition to regular $1 extra. (A)
U. S. Rubber	14.92	4.50	88	50	64	..	..	7.0	Position sound. Will probably await more settled conditions before resuming dividends. (A)

* Estimated. † Actual. a Year ending Oct. 31. b Year ending Aug. 31. c Year ending Sept. 30. (A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for present.

pear that further reductions are improbable. The chief requisite for satisfactory operations is a greater stability in raw material prices. Crude rubber has been relatively stable for some months past and cotton fabric costs are likely to move within a narrower range than was the case last year. Inasmuch as high priced stocks of crude rubber have been disposed of to a large extent, there should be no further inventory losses from this source, and manufacturers are in a position to derive the proper benefits from instead of being hurt by the comparatively low level of the crude rubber market.

In view of the larger volume of business in prospect the situation would compare favorably with that existing in 1925 were it not for the fact that prices of finished tires are materially lower. Considering the uncertain outlook for the automobile industry it is not to be expected that there can be an upward revision in tire prices with anything like the rapidity of the preceding decline. The status of the raw material markets is not such as to necessitate more than a moderate increase in the price of the finished product except in the event of a wholly unexpected acceleration in automobile demand.

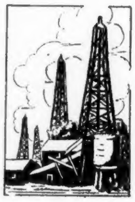
The severe competition in the tire industry and the drastic changes which are constantly taking place make it particularly difficult for the smaller companies to hold their own. Many of these were unable to make a creditable showing even in 1925, the banner year for the industry since the post-war deflation, and it is by no means certain that the improved outlook at present prevailing will be unanimously reflected in their affairs.

It is important that the situation be studied in conjunction with the individual details and ratings presented in the accompanying table, and it is not to be assumed that all tire stocks including the very low priced shares offer speculative possibilities at this time.

The most that can be said is that the stronger companies should make a better showing than in 1926, and even they are likely to be very conservative as respects dividend action until the status of the industry is more clearly defined.

Petroleum

No Great Changes Expected But Prosperity Should Continue



CONSIDERABLE improvement in the statistical position of the petroleum industry occurred during the past year, but 1926 was nevertheless lacking in something of fulfillment from the shareholders' standpoint. On the average, the oil shares have moved within narrow limits, both up and down, and are quoted at about the same level, perhaps nominally higher, than at this time last year. Dividend changes have been few, one or two of the smaller companies have inaugurated regular rates but most of the larger companies prefer to still consider the higher payments as "extras" rather than committing themselves to the higher regular scale of payments.

In contrast to this comparatively static condition from both the dividend and market price standpoint, oil company earnings have and are continuing to be uniformly higher. The producing companies have obtained a satisfactory price from their expanded output of crude; the prevailing price structure is strong, and the outlook for crude prices during the early part of the current year is favorable. Operating margins have been small for the refining companies, a factor largely off-

Position of Leading Petroleum Companies

	Earned per Share			Price Range 1926		Recent	Dividend	Yield	
	1924	1925	1926	High	Low	Price	Rate	%	REMARKS
Atlantic Refining	$6.60	$11.53	$11.58	128	97	114	none	..	Notes likely to be retired before maturity, paving way for div. (D)
Barnsdall Corp. "B"	1.77	3.33	† 4.20	33	23	30	$2.00	6.7	Financial condition much improved, paving way for larger dividend. (A)
California Pete	2.47	3.25	† 2.84	38	30	32	2.00	6.3	Surplus being used to good advantage; dividend increase not likely. (A)
General Asphalt	6.05	5.79	* 2.21	94	50	84	none	..	Exploitation of Venezuelan oil lands is thought to bring dividend nearer. (D)
Houston Oil	3.93	2.85	‡ 6.50	72	50	86	none	..	Income from gas service put dividend probabilities in favorable light. (D)
Maracaibo Oil	nil	0.10	NF	29	16	20	none	..	Dividends depend on exploitation success; far off at present. (D)
Marland Oil	1.68	8.11	† 6.75	64	49	57	4.00	7.0	Dividend earned by good margin; could conservatively pay more. (A)
Mexican Seaboard	2.83	0.12	† nil	14	6	7	none	..	Little likelihood of payments to stockholders this year. (B)
Mid-Continent Pete	0.56	4.89	† 7.90	37	27	37	none	..	Dividend prospect better than fair for current year. (A)
Pan-American "B"	5.86	9.92	† 4.15	78	57	64	6.00	9.4	Dividend outlook clouded by present uncertainties in Mexico. (D)
Phillips Petroleum	3.82	5.12	† 6.55	57	40	58	3.00	5.2	Management making impressive showing, but probably will not increase dividend. (A)
Producers & Refiners	0.95	1.00	† 1.73	21	11	30	none	..	Current price of shares discounts dividend probabilities. (C)
Pure Oil	3.57	3.10	3.70	31	25	29	(a) 1.50	5.1	Trend of earnings favorable; extras probably will be continued. (A)
Shell Union Oil	1.66	2.22	† 3.04	31	24	31	(a) 1.40	4.5	Company can well afford to continue extra payments. (A)
Sinclair Consol.	nil	1.01	* 3.60	25	17	22	none	..	Improvement last year brings div. expectancy in line. (A)
Simms Pete	2.31	3.85	† 0.95	28	15	22	1.00	4.6	Sharp reduction in earnings makes div. less certain. (C)
Skelly Oil	0.05	4.25	6.50	37	26	36	2.00	5.6	Company could raise div. on current earnings. (C)
Standard Oil Calif.	2.84	3.25	‡ 4.25	63	52	60	2.00	3.3	Change in present div. policy unlikely; strong company. (A)
Standard Oil N. J.	3.30	4.72	‡ 5.00	46	37	40	(a) 1.00	2.5	Extra of 50c may become permanent payment. (A)
Sun Oil	1.85	3.48	* 1.60	42	30	33	1.00	3.0	Sound company, conservative in dividend policy. (A)
Texas Corp.	4.02	6.02	‡ 6.50	58	48	57	3.00	5.3	Recent stock div. does not preclude possibility of raise in cash rate. (A)
Texas-Pac. C. & O.	0.04	0.86	† 3.52	19	12	15	0.60	4.0	New div. warranted by earnings; could pay more. (A)
Union Oil Calif.	2.90	2.78	† 2.60	58	37	53	2.00	3.8	Present rate, including "regular extras," likely to be continued. (C)

* First six months' earnings. † First nine months' earnings. ‡ Estimated. NF Not available. (a) Plus extras.
Ratings: (A) Attractive. (B) Unattractive. (C) High enough. (D) High enough at present.

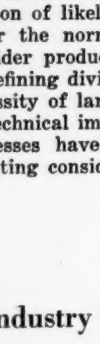
set by increased operating efficiency and on the volume of crude being handled at refineries, total operating profits have expanded proportionately.

If the petroleum companies appear to be miserly in the matter of dividends, with the prosperity they are enjoying, the investor must consider that this situation is born to a considerable extent of necessity. Conservation, operating efficiency and stability are the expedients which the industry now relies upon instead of the former mirage of higher future prices. Investment in new production is both essential and high priced, whether the expenditure is represented in the acquisition of likely acreage for development, or the normal cost of exploiting the older producing fields. Neither is the refining division immune from the necessity of large capital investments, for technical improvements in refining processes have been revolutionary, obsoleting considerable equipment and calling for new plant expenditures to keep operating efficiency on an even keel. In short oil companies have been prosperous, but at the same time they have been compelled to part with some of their hard earned dollars, through reinvestment of earnings.

With the oil business, however, in a fundamentally sound condition and with a good outlook for the future as far as the statistical position of the industry is concerned, those funds which are not being paid out to shareholders in most cases are being placed to very good advantage. The only drawback, of course, is the fact that the day of a more liberal distribution of the industry's prosperity is thus put off, even as the day of prosperity, itself, has been so painfully delayed these recent years. That there will be good reason to expect any radical change in the economics of the industry during the current year is, at the moment, improbable.

Building

Industry Faces Moderate Recession—Irregularity Develops



ALTHOUGH the volume of building probably will not be as large in 1927 as in 1926 and 1925, authorities generally agree that no more than a mild and gradual slump is in prospect. There no longer is any real physical shortage of commercial space and shelter, but, in construction, as in other lines, the progressively increasing standard of living and an abundance of available capital is encouraging finer accommodations and facilities. Many deferred improvements probably are being undertaken, also, because of the lower scale of costs now prevailing.

It is unlikely that the aggregate of 1927 construction will be sufficient to keep all accessory building enterprises operating at as high a rate of capacity as for the past two years. These enterprises are keyed up to an enormous volume of output, developed to take care of a business of boom proportions. Some of them are likely to encounter a competitive situation which will reduce the margin of profit, and therefore net earnings.

Of those companies in which there is a large public ownership, the corporations with stocks listed on the New York Stock Exchange, there are a number which are only collaterally dependent on new construction for income. The paint companies, for instance, probably derive more gain from resurfacing old structures than from the sale of paint for original application; and the cement companies sell an ever-growing percentage of output for road building and industrial purposes. Road building and repainting, perhaps, may increase rather than diminish, thus serving to offset a smaller building construction custom.

Typically urban construction, such as the building of new skyscrapers, new apartment hotels, new city apartment houses and new hotels, is being openly discouraged by some of the big real estate bond organizations, but there is no corresponding effort to reduce the number of private dwelling houses built, or to curtail suburban construction in general. Perhaps, the effort to discourage speculative and semi-speculative building is local rather than general. The abuses of too speculative construction, after all, have been largely confined to a few communities such as greater New York and Florida. While it may be possible to overstress the importance of recent warnings, there is in them abundant food for thought—a great deal of food for the thought of prospective buyers of

Position of Leading Building Stocks

	Earned per Share 1925	Earned per Share 1926	1926 Range High	1926 Range Low	Recent Price	Dividend Rate	Yield Per Cent	Earned on Mkt. Price %	COMMENT
Alliance Realty	$3.89	$4.44	50	45	50	$2.50	5.0	8.8	Strong New York City real estate company. Earnings have increased rapidly in late years and could pay more. Stock inactive. (C)
American Radiator	8.97	a 9.50	122	101	112	5.00	4.5	8.5	Increased dividend from $4 to $5 last year, but earnings, business and cash position indicates still higher payment later. (C)
Certain-Teed Products ..	4.64	6.02	49	36	47	4.00	8.5	12.8	Unseasoned but increasing earning power derived from diversified production. Has bank debt and dividend speculative. (D)
Devoe & Raynolds, Cl. A.	3.69	5.21	40	104	31	2.40	6.0	13.0	Sound company with good record and higher dividend indicated. Cash assets adequate. (D)
Foundation Company	10.09	9.00	80	179	81	8.00	9.9	11.1	Ability to maintain $8 dividend may be questioned but stock has discounted uncertainty. Strongly entrenched in specialized field. (D)
Glidden Company	4.37	3.40	25	15	21	2.00	9.5	16.2	Dividend none too well protected but earnings improving. Ability to maintain earning power through depression remains to be proved. (C)
International Cement	7.55	6.51	71	44	46	4.00	8.7	14.2	With tone of cement market weak, higher dividend improbable. Confronts many uncertainties. (C)
Long Bell Lumber, Cl. A.	8.10	6.00	50	41	41	4.00	9.8	14.6	Uncertainties in lumber market render dividend risk considerable as capital liabilities ahead of Class A are large. (C)
Penna. Dixie Cement.....	b 6.34	7.27	43	36	36	3.20	8.8	20.2	Consolidation of successful companies reasonably capitalized. No dividend increase probable till cement market is better. (D)
Otis Elevator	11.81	c 14.70	136	106	109	8.00	5.5	d 13.4	Has just paid 15% stock dividend so no further increase expected this year. Stock has investment qualities. Attractive for pull. (A)
U. S. Realty & Impr'm't.	8.13	e 8.00	68	48	65	1.00	5.9	13.2	10% stock dividend just declared. Current profits at high rate and business base solid. (A)

a Estimated. b Earnings of constituent companies on present company's capitalization. c Actual figures for 11 months on stock outstanding before 15% stock dividend. d Assuming net for full year on increased stock will be about equal to 11 months' earnings on old capital. e Estimate for year to end April 30, 1927. (A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for present.

highly advertised real estate bonds without a wide resale market.

Most of the corporations dependent, partially or wholly, on the building industry, which have stocks listed on the New York Stock Exchange, have followed a conservative dividend policy through the period of prosperity and now find themselves earning their dividends by a fairly wide margin, without bank loans and well heeled with cash assets. Individually, with one or two exceptions, there are no real weak spots. If these companies, however, have considered a conservative dividend policy advisable in a period of record business they are not likely to become suddenly more liberal at a time when the trend is against them instead of with them.

There are a few stocks actively traded, stocks in building industry companies, which have been receiving, even in the period of great prosperity, dividends fairly large in view of earnings. These stocks, of course, should be watched carefully. On the other hand, it hardly is conceivable that dividends on such issues as American Radiator and Otis Elevator can be brought into question by any developments in close prospect. As in other groups, and for that matter as in all speculative and semi-speculative stocks at this time, individual situations are counting for more than group situations. Perhaps the need for individual discrimination is greater in the building industry than in any other because of the widely different slants which are required to judge the leading companies.

Mining

Industry Encounters New Difficulties

AN element of uncertainty has crept into the copper situation, which, until the latter part of last year, appeared to be well in hand if not in exactly a buoyant position. Copper prices have fallen to the lowest point since the Autumn of 1924 and the past week has witnessed a drop of three-quarters of a cent per pound, carrying the market at this writing down to a level of 12½ cents. Overproduction, which for many years has been the basic factor responsible for the difficulties of the industry, is making itself felt to a greater extent than for some time. This has occurred at a time when consumption was progressing very satisfactorily. Production, which had been kept within reasonable limits due to the influence exerted by the larger interests, has once more assumed proportions in excess of demand, with the result that the trend of the reserve supplies of both refined copper and blister copper has been decidedly upward. This in turn has had the effect of restricting orders for both domestic and foreign account and of attempting to force business on the part of producers, with the inevitable keen competition and price cutting that accompanies such a situation.

Underlying Conditions

It is difficult to believe that price recessions will proceed to an extent to nullify the constructive work which has been so much in evidence in recent years. Underlying conditions are still sound as a result of the increasing trend of consumption and the marked progress that has been made in lowering production costs and in stabilizing the foreign market. It is, however, a situation which will require time to right itself, and earnings of copper producers are bound to be curtailed for at least some portion of 1927. A similar situation exists in other nonferrous metals, notably lead. As a result of overproduction, lead prices have declined to the lowest point in nearly three years, and zinc and silver are likewise depressed. An effort on the part of the larger producers to curtail the output of lead is already under way which if successful should go a long way in restoring some measure of the prosperity enjoyed by the producers of this metal during the past two years.

Position of Leading Mining Stocks

	Earned per Share		Price Range 1926						
	1925	1926*	High	Low	Recent Price	Dividend Rate	Yield %	Earned 1926 on Mkt. Price %	COMMENT
American Metal	$5.06	3.50	57	42	42	3.00	7.1	8.3	Recently reduced dividend should be maintained. (A)
American Smelting	19.17	22.00	152	110	140	8.00	5.7	15.7	Additional return of some sort indicated. (A)
Anaconda	5.85	6.00	52	41	47	3.00	6.1	12.8	Could pay more, but higher rate improbable until copper prices improve. (A)
Butte & Superior	1.70	1.50	16	7	11	2.00	18.2	13.6	Present dividend largely in nature of capital distribution. Not likely to be increased. (B)
Calumet & Arizona	1.66	2.50	74	55	66	6.00	9.1	3.8	Dividend appears sufficiently liberal for present. (A)
Calumet & Hecla	nil	0.15	18	13	15	1.50	10.0	1.0	Some increase possible in better copper market. (D)
Cerro de Pasco	5.36	5.00	73	57	61	4.00	6.6	8.2	Another extra payment may be forthcoming. (D)
Chile	2.72	2.50	36	30	35	2.50	7.1	7.1	No indications of change in dividend rate. (D)
Dome Mines	1.65	1.50	20	8	10	2.00	20.0	15.0	Maintenance of present rate will present difficulties. (B)
Federal Mining	37.52	30.00	112	41	75	..	..	40.0	Dividend payment hinges on results of litigation. (C)
Granby	nil	1.00	37	16	32	..	..	3.1	Should go on dividend basis during 1927. (D)
Greene-Cananea	1.18	2.00	35	10	30	..	..	6.3	Dividend action not improbable if copper market picks up. (D)
Homestake	2.25	2.50	63	47	60	6.00	10.0	4.2	Further extras possible although liquidating in character. (C)
Howe Sound	3.49	5.00	45	27	40	4.00	10.0	12.5	Will hardly pay more under prevailing metal market conditions. (D)
Inspiration	1.54	1.50	29	21	24	2.00	8.3	6.3	Dividend partly liquidating, but should undergo no change. (C)
Kennecott	5.34	6.00	64	50	61	5.00	8.2	9.8	Recent increase probably all to be expected for present. (A)
Magma	2.34	2.25	45	34	35	3.00	8.6	6.4	Should eventually pay more but not in near future. (A)
Miami	‡1.50	‡2.00	18	11	15	1.50	10.0	13.3	Higher copper prices needed to render present rate assured. (C)
Mother Lode	nil	nil	7	4	4	0.75	18.8	..	Dividend position uncertain. Some chance of reduction. (D)
Nevada	1.35	1.75	16	12	14	1.50	10.7	12.5	Will hardly pay more under present conditions. (D)
St. Joseph Lead	4.89	4.00	48	37	41	2.00	4.9	9.8	Has already declared extras for 1927 at rate of $1 annually. (D)
U. S. Smelting	7.69	7.00	50	30	35	3.50	10.0	20.0	Present rate represents probable limit for present. (D)

* Estimated. ‡ Before depletion. (A) Attractive. (B) Unattractive. (C) High enough. (D) High enough for present.

A New Contest for BYFI Readers

WITH the open season for personal experience stories in Wall Street at hand, the recently announced *Wall Street True Story Contest* has found a warm place in the hearts of several hundred thousand men and women who read this publication. Those having joined the ranks with "a story to tell" up to this writing include shorn lambs, trembling with indignation; astute bankers and brokers, overflowing with "inside stories"; level headed statisticians, incensed by unworthy competition; fortunate speculators, still on the right side of the ledger; unfortunate speculators on the wrong side of the ledger and open minded investors, alive to the new opportunities in the security markets.

"What is a true story?" we are asked by prospective contestants. "Can I use a pseudonym?" "Must it have happened to me?" The answer to all these (and many similar) questions is that a true story is an experience, incident, plan, transaction, scheme, occurrence, however rare or common, startling or customary, that actually happened to the definite knowledge of the author. It might be the experience of a relative, friend or even an enemy. Whether the author chooses to use his own name or a pseudonym is a matter of personal preference by the contestant. The Editors of this contest will not violate your confidence.

If you have a sound investment plan that works to advantage, take the rest of us into your confidence. We learn by the experiences of others. There are many simple truths that contribute to investment success—help us to bring more of these to the surface through the True Story Contest.

Limited Expenditure Plan Replaces the Budget

Following the Line of Least Resistance, a Simple Accounting Scheme Is Evolved That Puts an End to Budget Troubles of This Reader

By E. HARVE PARTRIDGE

BUDGETS and nightmares have been twins in the past history of our family. There was but one way we could tell the difference. Budget calculations kept us in trouble day and night, while nightmares could be troublesome only during the night hours. We tried a dozen alleged perfect budget plans—and failed with all. For the last four years we have followed what might be termed a limited expenditure plan with decided success. It is simple in the extreme. In the belief that many B. Y. F. I. readers might profit by our experience in solving a difficult problem, I shall outline it.

Each budget, we found in trying to adapt one to our use, was too complicated. They involved too much bookkeeping. Some items ran over expectations and some under. We would revise estimates and try again and while we could correct in spots, it was never possible to get a budget in smooth operation. After almost endless grief, we decided to cast aside all attempts to follow a budget.

At the same time we appreciated the need of some system which would lead towards financial independence. With this single purpose in mind, we evolved a plan which proved a success from its inception.

A Capital Account for Saving and Investment

When we adopted our new system, we put all our holdings in one classification which we termed our capital account. The money we had on hand went into our capital savings account. Bonds and stocks went into a separate envelope in our safety deposit box and were labeled capital account. All accumulations, interest and dividends, went into our capital savings account as paid and if a capital bond or stock were sold, the funds went at once into the capital savings account. If we made investments from this savings account, the bond or stock was placed in the special "capital account" envelope.

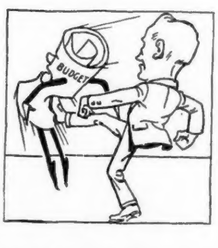
Thus there was no possibility of mixing the items and yet it required no bookkeeping or balancing. Then we decided how much of each week's salary check we should save. Savings, from that time on, were placed in our capital savings account.

The remainder of our salary was placed in a joint checking account. If there is money in our checking account, we know we have funds to spend. If it is low we know we have little money to spend and as we conduct our household on a strictly cash plan, we know the need of having a little reserve on hand.

Borrowing for Emergencies

At times, due to emergencies, we have found it necessary to go beyond the total in the checking account. We meet that situation by borrowing money at the bank on our note and then building up the checking account to meet the obligation when it is due. Regardless of what happens, we do not draw on our capital account or borrow from it. *To this rule there is no exception.*

That has been our way out of the budget difficulty. The only purpose of a budget, as we understand from our studies of the MAGAZINE OF WALL STREET is to permit one to so gauge his expenditures that he can get ahead financially. Our plan does that with the maximum of efficiency and the minimum of bother. Contrast our five-minute task of balancing the checking account once a month with the daily entries and monthly balancing of the various and sundry divisions of the budget. The value of our plan is apparent.



It requires only this for success—maintenance of the original capital account and adding to it each payday without any deviation from the schedule, and with the simple plan at hand, this is easy.

The final test of any plan is how well it works in actual operation. This is where practice differs sometimes from theory. For example, we have tried numerous budget schemes some our own and some the product of other minds, and while all of them were much superior in theory, none of them actually worked out well as far **as our problem was concerned.** When judged, however, by the acid test of "whether it works" this new plan comes out ahead.

Editors Note:

We are always glad to receive accounts of the budgeting experience of our readers and will continue our practice of publishing budget stories which have new and practical ideas of general interest to other readers. In the matter of budgets, we are thoroughly openminded. There is no particular type or kind that we especially recommend. As a matter of fact we have little faith in the so-called "standard budgets" which fix every families requirements to the same general scale of allotments. Furthermore, we hesitate to attempt to "preach to our readers" in the matter of proper expenditures for rent, food, clothing, advancement or any other item. Obviously, each individual's needs differ to a considerable respect in these several regards. This department has one prejudice, however, and a strong one. Our conception of the purpose of a budget is to make consistent savings possible. Without the savings feature, a budget is of little interest to us and the selection of articles for publication is made accordingly.

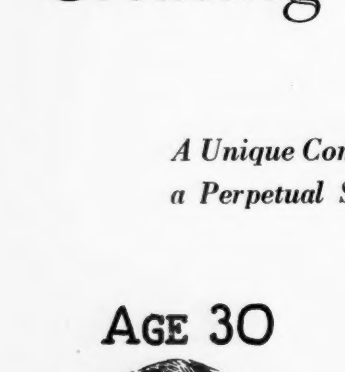
[*First of a Series of Three Articles*]

Creating a $50,000 Estate With $20,000

A Unique Combination of Insurance and Investment That Assures a Perpetual Self-Sustaining Estate at the Lowest Possible Cost

By STEPHEN VALIANT

AGE 30



High Earning Power but no Estate

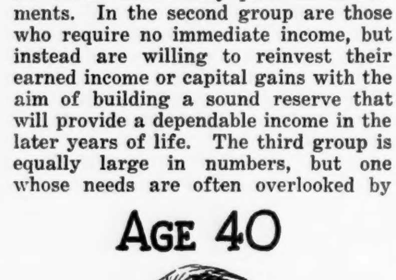
TWO men seldom have the same identical purpose in view when they invest their money. Some investors are buying income, pure and simple, with adequate safeguards to assure themselves against loss. Others are building up a reserve for future use, placing at least a portion of their funds in securities that will probably grow in value over a long period of time. Here and there, a sum is set aside for quick gain through judicious buying and selling of the more active securities. Among all these different purposes there are many, many variations and a multitude of distinctive types of investments from which to make a selection.

To the investor who enters this field without a guide, it may indeed be a bewildering jungle. Investment success is not to be obtained by mere plodding ahead persistently but aimlessly. One must first plot the path and then formulate an intelligent investment program that will serve as a dependable compass to reach the established goal.

It is with this thought in mind that these articles are prepared—to cut a clear path toward investment success for those who wish to reach a definite goal by the safest, easiest route and avoid the pitfalls that invariably confront the investor who places his funds in a haphazard, unsystematic manner.

In the main, there are three fundamental aims of all investors. In the first group are included practically all institutions and a great many investors; their purpose is to obtain an immediate income in either dividends and interest or market enhancement from the funds which they place in investments. In the second group are those who require no immediate income, but instead are willing to reinvest their earned income or capital gains with the aim of building a sound reserve that will provide a dependable income in the later years of life. The third group is equally large in numbers, but one whose needs are often overlooked by the investment profession, this group comprising the hundreds of thousands who are devoting their savings principally to the future welfare of their dependents. It is with this latter group of investors that this article—the first of a series of three—is primarily concerned.

AGE 40



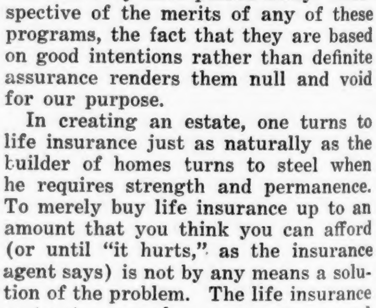
Peak of Earnings with Estate 75% Paid Up

That men and women save for the material protection of their loved ones after they have passed away is a fine tribute to the spirit of America. That this saving frequently represents personal sacrifice—doing without many comforts and pleasures in life to provide for others—is a consideration that is recognized in formulating this plan. With the entirely unselfish aims that motivate any estate building program it is indeed unfortunate that so many plans *devoted to the welfare of others* are not as successful as they should be and might well be but for the improper weighing of the values involved.

For example, the foremost consideration in estate building should be to limit one's dealings to *certainties.* When building one's own investment reserve, it is quite permissible sometimes to consider well appraised *probabilities*, but when your investments are made for the definite purpose of creating an estate you can't afford to gamble with the future. With the best intentions in the world there are investors who consider that they are looking out for the welfare of their dependents through an investment program that may or may not be completed by the time they have passed away. Irrespective of the merits of any of these programs, the fact that they are based on good intentions rather than definite assurance renders them null and void for our purpose.

In creating an estate, one turns to life insurance just as naturally as the builder of homes turns to steel when he requires strength and permanence. To merely buy life insurance up to an amount that you think you can afford (or until "it hurts," as the insurance agent says) is not by any means a solution of the problem. The life insurance contracts are only a means to an end

AGE 50



Premium Charges Now Only $300 a Year

and not the end itself. There is little difference between buying life insurance on "good intentions" in order to create an estate and devoting the same "good intentions" to the acquisition of stocks, bonds, building and loan shares or a savings bank account.

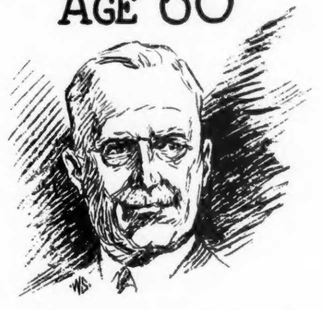
Most people have come to take life insurance a little too much in the light of a cure-all for all estate building problems. Consequently when they pass an examination, pay the first year's premium and are issued a $50,000 life insurance policy they seem to be under the impression that they "have a $50,000 estate" and let the matter drop there. As a matter of fact, what they really have is a contract with a financially responsible company to pay their heirs $50,000 in the event that they die while their premiums are paid up—a liability in every sense of the word, and by no means an estate.

The step between a life insurance contract and a "$50,000 estate" is an important one and a sound plan is herewith submitted that not only provides "good value" in life insurance protection, but introduces the element of *certainty* that is so essential in true estate building. Arranging for the life insurance policies is the first step; the second step, *and most important one,* is what we shall call "permanentizing" the estate. This is accomplished by a savings program which makes the insurance contracts self-sustaining on a scale that corresponds with the normal "ability to pay" of the average income earning man or woman.

The plan in mind is illustrated graphically in the accompanying chart. As far as the requirements on the investor is concerned it calls for a saving of a fixed sum of $25 a month, in addition to an annual life insurance premium charge of $900 for a period of twelve years; then an annual premium charge of $600 for eight years and finally an annual premium cost of $300 for ten years. The aggregate investment over this span of thirty years is less than $20,000, without considering loss of interest, and the goal attained with *certainty* is an estate of $50,000—guaranteed and fully paid for—upon the death of the insured no matter when it occurs.

In th… of the … amount of th…

AGE 60



Estate of $50,000 Now Fully Paid Up.

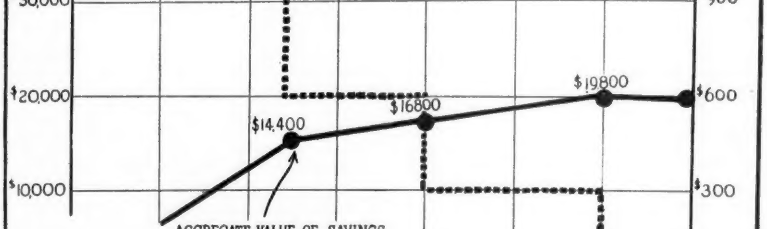
cies, there is, of course, an almost unlimited number of variations. The group selected here is intended to serve the purposes of the greatest number of readers and the costs involved are based on the arbitrary age of *thirty.* At younger ages the costs are lower and at more advanced ages the costs increase, but the example will nevertheless serve as a practical guide for your estate building program. The key to this plan is the policy premiums which are figured here in round numbers at $17 per thousand for Ordinary Life, $24.50 per thousand for Twenty-Payment Life and $20 per thousand for Thirty-Payment Life — approximately the non-participating rates which can be obtained from any old line company. Using these basic figures, one can readily modify the plan to suit individual requirements.

The *modus operandi* is something like this: For the prospective $50,000 estate, three policies are obtained in the form of $18,000 Ordinary Life; $12,000 Twenty-Payment Life and $15,000 Thirty-Payment Life. As soon as the contracts are issued (and not before) a building and loan account is opened for $25 a month at the rate of 6%—an interest rate paid by the most desirable associations. This medium of investment is selected as most suitable to support the single Ordinary Life Policy, because it gives the investor the full effect of compound interest and adequate safety. At the end of twelve years (actually eleven years and seven months) the B. & L. account will amount to $5,000 which, invested again at six per cent will now provide an income of $300 a year; the amount necessary for payment of premiums on the Ordinary Life Policy. During these twelve years the investor has been alloting his annual savings as follows: $300 toward B. & L. shares, and $300 respectively for the three insurance policies; a total of $1,200 a year.

At the end of the first twelve years, therefore, with the B. & L. account fully paid up and providing an income (when reinvested) that will continually carry the premium cost of the Ordinary Life Policy, the necessary saving is cut in half at $600 a year. Why the heavy burden during the first twelve years, the investor may ask? This allotment places the load on the period of life when earning power is at its highest. And at the end of the next eight years, the savings are again cut in half—this being due to the fact that the Twenty-Payment Policy is fully paid up at age fifty. During the next ten years, the only cost involved is the $300 annual payments to mature the third insurance policy—thereafter all payments cease.

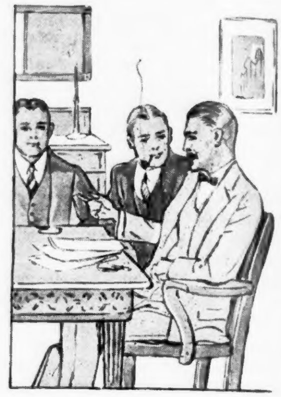
This program creates a permanent estate in the fullest sense of the word because it not only covers death protection, but in addition builds up investment values that make the protection self-sustaining. Ordinary Life combined with B. & L. payments are selected to intentionally throw the burden on the earlier years and in combination with the paid up policies offers the best value for the money in estate building. The total cost of this combination is a little more than one-third of the total and represents ultimately a little less than one-half

(Please turn to page 846)



Investment Club Popularity Grows

Problems in Organization and Management with Pointers that Offer a Solution



By ARTHUR MILLARD

"LET us be more sociable in our investment enterprises" is what groups of investors here and there throughout the country are saying with the result that the Investment Club idea is growing more and more popular. Cooperative efforts in the investment field is by no means a new idea, of course, when we consider the present scope of mutual insurance companies and savings banks, fraternal organizations with old age benefits and insurance privileges and numerous industrial associations providing pensions and old age benefits for their members. Yet each of these institutions serves a definite purpose, leaving plenty of room for the present and future growth of semi-social, semi-business groups operating under various plans but known by the common name of Investment Clubs.

The Investment Club is a sort of an "amateur investment trust" whose affairs are conducted by several of the most competent members of the group instead of the professional trust manager, banker, trustee or whoever is appointed to handle the investments of the several different types of present-day investment trusts. Once having convinced themselves of the desirability of joining hands in their investment undertakings, these groups then consider the practical matter of how "to go about organizing the club"—inquiries of this nature being received constantly by the Editor of the BYFI Department.

There are two distinct phases to the functions of an Investment Club which should be kept clearly in mind by its organizers. First is the business side; the function of buying and selling securities; collecting income; appraising values; making selections—a cold business proposition engaged in with the sole aim of obtaining a satisfactory profit from the pooled capital. To properly support this side of the club's activities, a responsible business-like basis must be provided in the plan of organization—one that clearly defines the status of each member of the club, his obligations and his participation in the profits from the joint fund.

This is accomplished by the more ambitious investment clubs through the formation of a joint stock company, the shares of which are distributed equally to the members of the club. All of the assets of the club are held in the name of the company and the fund is invested by the directors or a "finance committee" appointed by the board of directors. Distribution of the earnings are made in the form of dividends and the capital is realized by the issuance of stock against regular deposits into the joint fund.

The joint stock plan, no doubt feasible for the larger associations whose

BYFI Makes a Suggestion

to the Inexperienced Investor

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety and principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings bank accounts are recommended for deposit of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953	104	5.20%

THE NEXT $1,000

†Baltimore & Ohio ref. 5s, 1995	101	4.95%
*Commonwealth Power 6s, 1947	105	5.55%
†N. Y. Steam Corp. 6s, 1947	106	5.50%
†Western Pacific 1st 5s, 1946	99½	5.08%

*Available in $100 units. †Available in $500 units.

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	95	5.35%
American Sugar Ref. 6s, 1937	105	5.40%
U. S. Rubber 1st 5s, 1947	95	5.40%
West Penn Electric $7 Pfd.	106	6.60%
U. S. Smelting & Ref. $3½ Pfd.*	46	7.60%
American Water Works & El. $7 Pfd.	105	6.65%

THE NEXT $5,000 (a)

Seaboard Air Line 1st Cons. 6s, 1945	99	6.10%
Nassau Electric 4s, 1951	62	7.40%
Western Maryland 1st 4s, 1952	81	5.35%
Brooklyn-Man. Tr. $6 Pfd.	88	6.80%
International Paper $7 Pfd.	99	7.07%
American Tel. & Tel. common	155	5.80%

(a) This group is selected with a view toward probable enhancement in principal.
*Recommended to hold at present.

investment activities are intended to overshadow the social and educational side, has nevertheless several disadvantages for the small, limited membership club. The most important of these is the corporate tax, now 12½% of the net income, which the club is required to pay to the Government. This rate is higher than many individuals are required to pay on both normal and surtax charges. In addition, the club, if incorporated, is limited to corporate practice as defined in the laws of the state which grants the charter; involves some cost for incorporation and, last but not least, is unnecessary.

Where it is not desirable to incorporate the club, a very practical and business-like substitute is found in a Trust Agreement to which each member individually becomes a party by attaching his signature.

The trust agreement, in other words, serves the same purpose as incorporation and serves it just as well, especially for a friendly group of investors, and at a lower initial cost plus a saving of the annual corporate tax. It is a legal instrument that fixes the responsibility of its member-signers, clearly states their interest in the fund and its earnings. But the corporation, in addition to its charter, also has its by-laws and a well organized investment club operating under a trust agreement between its members should likewise contain a clause making all rules and by-laws passed by a majority of the membership a part of the agreement.

We are publishing here the most important articles of the by-laws used by an Investment Club, operating successfully on the West Coast which should serve as a practical guide for contemporary investment group organizers. One of the articles omitted from the list pertains to withdrawals. In the matter of withdrawals, practice varies. In some clubs, the withdrawing member is expected to find a new member, approved by the others, who will acquire his interest; in other cases, withdrawals can only be made upon mutual consent of all concerned which in turn is determined largely by the ability of the club to liquidate; some clubs make no provision whatever for withdrawals but agree to operate for a specific length of time. Clubs which penalize withdrawals, chose either one or two methods: to return the full amount paid in (without interest) or a pro rata share in the principal market value of the fund less a fixed cash fine. It is frequently provided that payment of these sums shall be made by non-interest bearing notes which are liquidated in fixed monthly installments.

Another troublesome problem is the title to the investments purchased by the club. In the by-laws reprinted on this page, an unusual method is resorted to, in that each member is given custodianship of the various certificates owned by the club but endorsed over to the Club, a practice decided upon to enable members to become familiar with the ownership and care of security certificates. The more customary practice is to have the certificates registered in the name of the club manager, or the trustees. In this event, the registration form must clearly state that ownership is vested in *John B. Smith, Trustee* and not in Mr. Smith's name without the designation "trustee."

Investment Clubs By-Laws

Article 1.
Name, Location and Objects.

Section 1. This Club shall be known as the..............Club.

Section 2. The principal place of business of this Club shall be in the City of.........., State of..........

Section 3. The object of this Club shall be to encourage thrift and co-operation among its members by the pooling of their savings, time and talents, and to employ the assets of the Club in the purchase of high-grade stocks and bonds, and from time to time assume other investments as opportunities arise.

Article 2.
Membership.

Section 1. The membership of this Club shall be limited to nine members.
Section 2. (See text)

Article 3.
Dues.

Section 1. Upon joining the Club each member is to deposit with the Secretary the sum of One Hundred Dollars, and to pay as monthly dues the sum of Ten Dollars, said dues payable on or before the tenth day of each calendar month.

Section 2. Members delinquent in the payment of their dues will be assessed the sum of twenty-five cents for each delinquency.

Section. 3. Assessments may be made on the entire membership for the purchase of some unusually good investment when there is not enough cash in the treasury to pay for it, provided, however, that such assessment is made by unanimous consent of the members.

Article 4.
Officers.

Section 1. The officers of this Club shall consist of a Manager and a Secretary, to be elected annually.

Section 2. The Manager shall preside at all meetings; shall name committees to consider the merits of all investments under consideration, shall cast the deciding vote in case of a tie, and shall guard the interests of the Club in general.

Section 3. The Secretary shall preside at all meetings in the absence of the Manager; shall keep the minutes of all regular and special meetings of the Club; shall receive and receipt for all moneys payable to the Club; shall take charge of all securities and other documents; shall submit at the regular monthly meetings a statement of the financial condition of the Club and, at the annual meeting in January of each year, a statement of the financial condition of the Club as well as a report of all transactions of the preceding term. Upon retiring from office the Secretary shall deliver to his successor all books, moneys, securities and other papers belonging to the Club.

Section 4. Nominations for officers shall be made at the regular meeting in December, and elections held at the annual meeting in January.

Section 5. The officers in this Club shall serve without compensation and shall have no other rights or privileges not shared by the other members, unless directly stipulated in these by-laws.

Article 5.
Meetings.

Section 1. Regular meetings shall be held on the first Wednesday of each month, at the time and place designated by the Secretary.

Section 2. The annual meting of the Club shall be held on the first Wednesday in January.

Section 3. Special meetings shall be held when deemed necessary for the benefit of the Club at the request of any three of the members, and the Secretary shall notify the membership of such special meeting either in person or by mail.

Section 4. The presence of five members shall be considered a quorum.

Article 6.
General Provisions.

Section 1. No loans shall be made to any of the members out of the assets of the Club.

Section 2. A joint bank account shall be held for the Club in the joint names of the Secretary and two other members of the Club, the three acting as trustees for the Club.

Section 3. If deemed necessary a safe deposit box shall be rented for the Club in the joint names of the Manager or Secretary and one other member of the Club.

Section 4. Investments made by the Club shall be held in the names of the members of the Club, these members to indorse all papers connected with that investment over to the Club and shall sign an agreement to the effect that that investment, though held in his name, is the property of the Club, and he shall watch that investment with the same care as though it were his own, and shall report to the Club any developments affecting that investment either favorably or unfavorably, and shall turn over to the Club all dividends, interest or other rights or privileges of any kind accruing from that investment. (See text).

Section 5. It being the object of this Club to accumulate and reinvest its earnings, there will therefore be no dividends or other payments made to its members until the time of final liquidation.

Section 6. This Club is formed to exist for a period of five years, at the end of which period its assets shall be liquidated equally among its members.

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription. Inquiries from non-subscribers of course cannot be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

ST. LOUIS & SAN FRANCISCO

Do you think it advisable to continue to hold St. Louis & San Francisco common stock? I have 35 shares of this security purchased at 68 per share in 1925. Naturally, I have a substantial profit, but am in no hurry to accept this if I can be assured that dividend payments are now secure and that eventual further price appreciation is warranted.—E. C. T., Nashville, Tenn.

In the absence of an official statement one can only estimate earnings of St. Louis & San Francisco Rwy. during 1926, but from preliminary reports it would appear that net will equal if not exceed that of 1925 when the equivalent of $14.88 a share was earned on the common stock. Further, the company has just completed a very comprehensive property improvement program, spending 21 millions for new equipment and improvement. 5,700 new freight cars and 25 new locomotives have been purchased, placing the 'Frisco on a parity with any railroad west of the Mississippi as to equipments. The company enters the 1927 year under auspicious circumstances, with every prospect in view of giving a good account of itself in months to come. However, since the shares have advanced appreciably above your purchase price, we believe you would be warranted in disposing of half your holdings, retaining the balance with a view to further developments.

SIMMS PETROLEUM

My venture in Simms Petroleum has not turned out very profitably so far. On the advice of my broker I purchased 75 shares at $27 a share, but shortly after this stock commenced to sag, and is now down to 22. Is this decline due to market conditions, or does it reflect anything radically wrong with the company? Do you advise me to purchase more stock at these levels to average down my holdings?—E. J. K., Brooklyn, N. Y.

While fourth quarter profits of Simms Petroleum will probably be the best showing of any period during 1926, it is doubtful if the company will have earned more than $2 a share on the common stock outstanding as a result of the year's operations. This will compare with $3.85 a share for the 1925 year, and $2.81 a share earned in 1924. The explanation for the decline in net lies in the fact that its crude oil production fell off during the early months of 1926, while the favorable showing in the final quarter is the reflection of a sharp jump in output, which is now understood to be averaging around 10,000 barrels daily. Due to recent developments, Simms shares have been enhanced somewhat in speculative merit but if the company's past performances are to be accepted as a criterion, one has not reasonable assurance that the present showing will continue over an indefinite period of time. It is disquieting to note that a large part of the output of this company comes from fields not noted for their sustained productivity. The element of risk attached to holding a stock of this calibre seems to outweigh benefits which might reasonably be expected. We would suggest switching to Barnsdall Corporation Class A.

CONSOLIDATED CIGAR

What might I expect as a stockholder in Consolidated Cigar? I purchased 25 shares of the common at 79½ earlier in the year. A friend of mine who is heavily interested in this company is very enthusiastic and advises me to increase my holdings. What is your opinion?—L. O. F., New York City.

Considerable bullish propaganda regarding Consolidated Cigar has recently made its appearance, apparently based upon the showing of the company for the six months ended December 31st, 1926, when net profits after all deductions were equivalent to $6.21 a share earned on 250,000 no par common shares. This compares with 8.50 a share earned on 145,000 common shares for the entire 1925 year. That this company is enjoying a substantial prosperity at this time cannot be denied. However, a survey into its past history reveals the fact that barring its recent performances earnings have shown considerable variance from year to year with the result that the company has been unable to maintain uninterrupted dividend payments on the common stock. Its present prosperity is too recent to be accepted as enduring, and hence, the restoration of dividend payments on the common at the annual rate of $7 per share may not be especially significant so far as future dividends are concerned. At all events, the shares are highly speculative, and are now selling to yield an extraordinary high return. We do not

(*Please turn to page* 842)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

are YOUR *Investments* *successful....and* SAFE

?

Others are making big profits consistently . . . year after year. This advertisement shows how.

To tell any man who has had even a little experience with the stock market that there is a sure way to achieve investment success is to arouse at once a feeling of skepticism. He has seen his favorite stocks go down for no apparent reason. He has seen others go soaring up, apparently with the same lack of logic. Inside information has proved unreliable. So-called expert advice has cost him money. He is frankly unconvinced.

Confidence Through Proof

For 23 years the Brookmire organization has dealt with skeptical investors—men who must be shown. For 23 years the Brookmire organization has convinced these men that there *is* a way to achieve investment success. It has convinced them in the only way possible—by results! It has demonstrated to investors that through the Brookmire method of investing, higher returns can be obtained consistently than they had ever believed possible.

Unseen Forces

There are forces constantly working behind the market—economic forces over which the investor has no control. Control, however, is not necessary, if these forces are understood and *foreseen.* Brookmire's has made a business of foreseeing them. Investments based on Brookmire advice have consistently been safe and profitable. Small investors, large investors, international bankers and industrial concerns use Brookmire Service year after year.

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Brookmire's tells its clients what stocks to buy, when to buy them, and when to sell them. Weekly, fortnightly and monthly bulletins are sent to all subscribers. Yet these form only a part of this unusually comprehensive Service. Subscribers consult in person or by letter with the Brookmire organization on any specific investment question. Their *personal* needs and problems are carefully watched by a board of trained economists. Supplementing this, lists of stocks are recommended at proper times. Most satisfactory profits have resulted year after year.

The Value of This Coupon

This coupon will bring you a current set of Bulletins about security movements now and facts concerning the Service itself. It will bring you a complete outline of an investment method that will help to speed you safely along the road to economic independence through investment success. As it has helped others in the past, as it is helping them today, so also can Brookmire Service help you. Return this coupon now for a summary of its purpose and scope. A specific report on what to do now in securities will be included. No obligation is involved. Send the coupon today.

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I should like to learn more about your Service. Please send latest bulletins advising on what to do now and a copy of your descriptive booklet.

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Trade Displays More Confidence

Broadening Demand in Many Lines Tends to Steady Prices Despite Continued Large Production and Ample Stocks

COAL

Bituminous Strike Approaches

The record bituminous production of 1926 has been continued so far this year. While this may not appear so favorable in view of the drop in price which ensued on the settlement of the British strike and the gradual downward trend obtaining since; it is decidedly the part of wisdom for operators to build as large reserves as possible as the industry slowly drifts toward a strike on April first. Little progress is being made to renew or replace the Jacksonville agreement between mine owners and miners, over which the storm centers. And while the soft coal industry has expanded greatly in non-union regions, it is obvious that the union has still sufficient dominance to severely cripple the trade. On the other hand, painful readjustment is in progress in several non-union fields,

(*Please turn to page* 834)

COMMODITIES*

(See footnotes for Grades and Unit of Measure)

	1927 High	1927 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	18.50	17.50	17.50
Copper (3)	0.13⅜	0.13⅛	0.13¼
Petroleum (4)	1.90	1.90	1.90
Coal (5)	2.13	1.95	1.95
Cotton (6)	0.14⅛	0.12½	0.14⅛
Wheat (7)	1.55	1.52¼	1.52¼
Corn (8)	0.95⅜	0.91½	0.93⅜
Hogs (9)	0.12¼	0.11½	0.12¼
Steers (10)	0.10¾	0.10½	0.10¾
Coffee (11)	0.15⅛	0.14⅞	0.14⅞
Rubber (12)	0.40	0.38¼	0.38¼
Wool (13)	0.45	0.45	0.45
Tobacco (14)	0.12†	0.12†	0.12†
Sugar (15)	0.05⅛	0.05	0.05
Sugar (16)	0.06½	0.06⅛	0.06⅛
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (13)	21.15	19.65	19.65

*Feb. 12.

† Change from '25 to '26 crop.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Demand has expanded noticeably under the spur of lower prices and signs of increased stability are appearing. Orders for cars and railway equipment continue in large volume and better buying from automobile industry is anticipated as schedules in this line increase. Pig iron continues weak in price but buying is improved.

PETROLEUM—In spite of continued heavy production the price of crude displays notable strength with actual advances to new highs in some fields. Consumption, of course, is proportionately large and refined products are in good demand in both domestic and export markets.

METALS—Lower levels of copper prices have at last brought on a wave of buying which has been well enough sustained to begin a steady price advance, despite the fact that a long lull naturally resulted in some rather large surpluses in producers' hands. Zinc stocks also show substantial increases but improvement in purchasing volume is notable.

RAILROAD EQUIPMENT—January orders for cars reached highest monthly mark since September, 1924, with many orders still pending for placement during the next 30 to 60 days. Rails and track fastenings are in good demand.

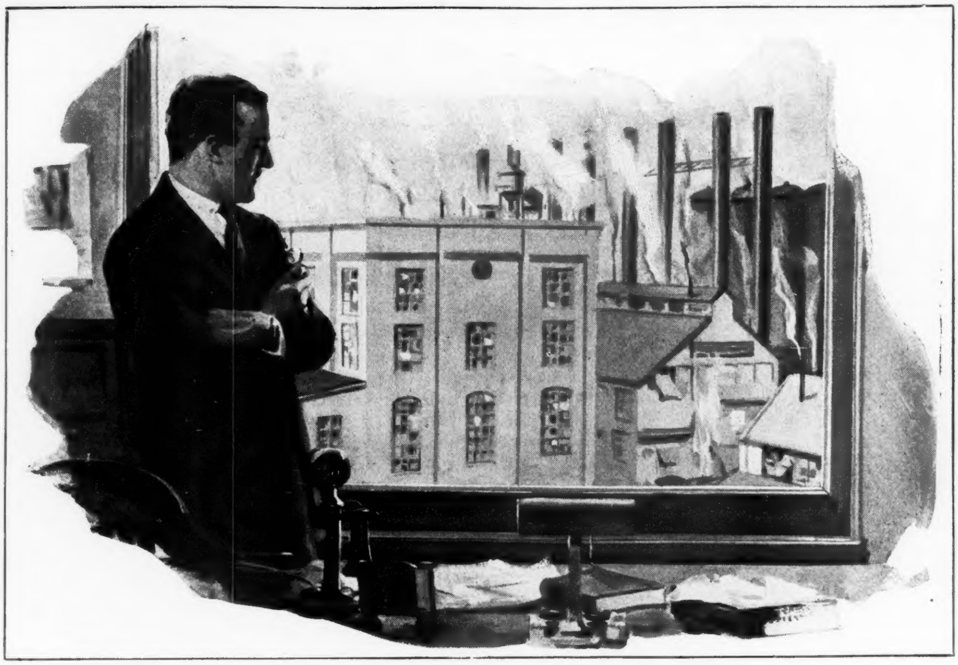
COTTON—Under the influence of larger consumption, which shows marked gains in January over December and also over last year; improved export and the possible passage of McNary-Haugen bill, the raw staple evinces continued strength. The latter influence, however, is not deserving of confidence since its reaction is likely to be increased planting—the nemesis of the present situation.

COAL—Only once since the war have bituminous stocks been as high as the 55 million tons currently reported. In the event of strike on April first such reserve should prove an excellent stabilizer; on the other hand, if settlement is effected, such stocks are bound to prove burdensome even in the face of present heavy consumption.

TEXTILES—Lower cotton and stronger merchandising continue to improve mill situation. Sales and unfilled orders both show gains of about 40% over last year with stocks 10% lower. With January silk consumption the highest on record, the price trend is expected to be moderately upward.

RETAIL TRADE—With the exception of mail order sales, which show a decrease in volume as compared to last year reflecting the lower purchasing power in agricultural districts, retail generally is fairly active, and according to Federal Reserve reports for January, is 1% in excess of this time 1926.

SUMMARY—Large production continues to characterize industry but the downward trend of prices, which has been more markedly in evidence since the first of the year, has reached levels in many lines which are attracting more active buying with a consequent steadying influence.



If you had it to do over, would you choose the same location?

Back in the early days plant location made less difference than it does under modern competitive conditions—locations were often more a matter of chance than of choice. Labor conditions were better; transportation costs on raw stock were less; industry had comparatively few problems.

Has Your Present Location These Assets?

- Low production cost
- Plentiful and adaptable labor
- Cheap raw materials
- Low cost, dependable Power
- Low building costs
- Low taxes
- Tax exemptions
- Community cooperation
- Growing market for product
- Adequate railroad service
- Modern port facilities

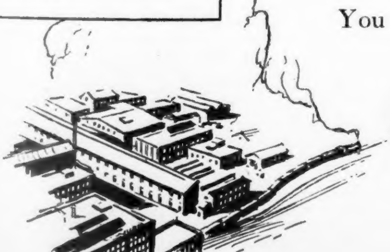
TIMES have changed Competition has forced a general tightening up all along the line. You must figure with a sharper pencil today.

In Georgia you will find conditions that reduce manufacturing cost and eliminate many of the problems of management. Efficient, intelligent, adaptable labor,—97% Anglo-Saxon. Reasonably priced raw materials close by. Low taxes, no state income tax, no state inheritance tax, counties privileged to exempt you from taxation for a five-year period.

You will find an active market, stimulated by a prosperity that has trebled the buying power of the whole South in the past ten years.

You will find power at low rates and dependable the year 'round—a supply that is ample to meet any demand.

We will be glad to consult with your engineers; to put our own engineering staff at your disposal. We will present the full facts to your production men; your distributive organization. And we will keep your inquiry strictly confidential. Georgia Railway & Power Co., Atlanta, Ga. New York Office, 120 Broadway.



GEORGIA

RAILWAY & POWER CO.

INDUSTRY PROSPERS IN GEORGIA

WILL LISTING OF FOREIGN STOCK ON N. Y. STOCK EXCHANGE MARK END OF EUROPEAN FINANCIAL INDEPENDENCE?

(Continued from page 793)

which was quick to seize the opportunities which presented themselves, while in the case of the latter the policy of the Government proved to be well-nigh prohibitive for possible American investments. M. Englisch, Finance Minister of the Czechoslovakian Republic holds that excessive foreign investments constitute a danger for the country's financial and economic independence and prefers a slower, but independent, financial reconstruction to a more swift recovery with the help of foreign capital.

Thus it happened that American capital in its constant eastward move discovered Hungary and the Balkan peninsula as fertile and almost virgin soil for investments. In Hungary, where the readjustment of stock prices has just begun, the American investments can still draw a rather high return. Here the policy of readjustment of prices with the help of foreign capital is eminently represented by the most influential leader of the Budapest Stock Exchange, M. Simon de Krausz, who himself controls a great number of leading corporations and who has in many cases demonstrated that the quotation of most of the leading stocks in Hungary represents only 40 to 50% of their real value.

The part he is playing in the readjustment of prices is particularly interesting for America, due to the eminent position this financial leader occupies, in those countries which are just being discovered by the American capital. M. de Krausz holds that a better balance between investment-seeking capital and capital-seeking industries in Central Europe, would bring great results for the investor as well as for the loan-taker, and therefore, American capital would be invited by the European corporations while their stocks are not yet "played out" and can bring unusually high profits.

More Detailed Knowledge Needed

Of course, to realize these high profits the American investor has to know more about the prevailing undercurrents of the European market. To quote only one example of how little American investors can utilize the possibilities offered by European stocks, I shall mention here the tragicomic case of the "Nova" shares. The "Nova" is a corporation which controls the city railways in Budapest and has very great holdings. Two years ago shares of this corporation were bought by a well-known American firm, in the hope of large profits. The shares slowly began their upward movement and when they could be sold 20% higher, the American firm, contrary to advice of its Budapest representative, sold them. Six months later the same shares sold at a price 50% higher and since that time they have constantly moved upwards. . . .

All these possibilities, of course, will be much better utilized by American investors, when the leading European stocks will be listed in New York and when, through the introduction of foreign stocks, the New York Stock Exchange will cease to be a world in itself and by itself and will be closely connected with other international markets of the world. Of course, there has been trading in European stocks in the past in America, but it was limited and the process of buying and selling difficult and rather intricate. Market trends on the New York Stock Exchange had no effect on the Stock Exchanges of London, Paris, Berlin, Zurich, Amsterdam, Vienna and Budapest, and the most spectacular upward or downward movements in Europe failed to influence the American market. There was no inner connection between the stock exchanges of the Old World and America and in the age of the radio they were as far away from one another as a hundred years ago.

European Stocks As Collateral

It is natural, that when the listing of foreign stock in New York will actually take place this anomalous situation will change and simultaneously with the closer relation of the great international stock exchanges of the world, new lines of business will quickly develop in the New York market. One can assume that one of these will be the granting of loans on European stocks. Although in most European countries the law prohibits the corporations from taking loans on their own stocks this can be easily circumvented through the forming of syndicates or using go-betweens for the same purpose. The European corporations desire to have their stocks listed in New York not only because they hope to find here a new and wider market, but also because they hope to obtain collateral loan value with American banks on the stocks as listed. Although this will open new means of lending money for the banks, on the other hand, increased caution will be imperative regarding the margin between the sum loaned and the price of the stocks. In this respect the American banks have to be more cautious than the European institutions, because their knowledge of the European stocks' inner value is more limited and because they don't know the undercurrents on European stock exchanges, which can send down the courses thereby making the value of the collateral illusory.

Another line of business which will receive new impetus through the listing of foreign stocks in this country, is that of the arbitrage. The unevenness between the price of the few European stocks now listed on the New York Stock Exchange and between the price of the same stocks in foreign markets made free arbitrage well-nigh impossible. This unevenness will be levelled off by the listing of European stocks here and the demand can be freely supplied from one market to another. It is only natural that the listing will also further the speculation in European stocks.

Europe On Eve Of Prosperity

Thus the listing of foreign stocks in New York offers possibilities both for the American investors and the European corporations. The American investor will find a new field of investment and—in the first line—will be able to get his share from the rebuilding and reconstruction of Europe, which has just begun. Europe appears to stand before a new era of economic prosperity and the wide increase in the earnings of the large European industrial corporations is the best proof of the possibilities offered here for the American investor.

On the other hand, Europe has an equal interest in finding a new and gigantic market for her stocks and securities. It is generally hoped in Europe that the listing of foreign stocks in New York will be followed by a new flood of American capital to the large corporations of the continent, thus speeding up the process of general recovery and increased economic prosperity. It is also hoped that the stockholders of the large corporation will profit by the possibility of trading their stocks in America.* At the same time, however, some sources express their not quite unfounded fear, that through the United States' more intensive participation in the financial life of Europe the continent will lose even that which has remained of its financial and economic independence. America, they say, will buy up the stocks of every large and important financial and industrial corporation and as the buying power of the American market is almost unlimited, America will fully dominate the European market in ten years or so.

The greatest financial center of the world will move from London to New York, America will hold the world's financial hegemony and Wall Street will rule all over the European continent. Whether this will be the trend of developments, or not, only the future can tell. But one thing is certain: that America's closer connection with the European market and its probable increased interest in European corporations will mark the beginning of a new era in the history of America's financial position and this new era will be the period of growth and progress in the direction of the financial leadership of the world.

*The present surplus of available capital in Europe is purely relative to present limited financing needs. It in no way negatives the tremendous demand for capital that would be stimulated by an automatic market in America for European stocks.

Income Tax Department

Conducted by M. L. SEIDMAN

Note: This department will be continued in each issue until March. Its purpose is to give investors sufficient information on the income tax laws to enable them to make out their returns properly. For this reason, we have used a smaller size type than usual in order to incorporate as many points as possible in the available space. Mr. Seidman, who conducts this department, is one of the best known experts on the subject in the country. Inquiries of reasonable length will be answered and letters should be sent to INCOME TAX DEPARTMENT, The Magazine of Wall Street, 42 Broadway, New York City.

Questions and Answers

Interest on Mortgage

Q. Please advise if I may deduct from my income, state and federal tax, the interest paid on the mortgage on my home.—H. R. P.

A. Interest paid on a residence mortgage is deducted. All interest, for that matter, can be taken as a deduction, even though connected with a personal expenditure.

Single Persons' Exemptions

Q. You plainly state in your article that any single person is entitled to an exemption of $1,500, and that if his net income is less than that amount, he has no tax to pay. Last year the paper sent me to make out my income tax read that $800 was the amount allowed for exemption of a single person. Has the figure been changed?—Miss S. H.

A. Your exemption is $1,500. The $800 you refer to may have reference to the exemption allowed by your State law or to the additional exemption allowed for supporting two dependents.

United States Citizen in Canada

Q. (a) In Canada the government allows a deduction of fifty per cent from gross and net income on dividends from mining stock. Is a similar allowance made by the U. S. Government to U. S. citizens in Canada on Canadian mining stocks? (b) On returns for 1925, are wages earned in a foreign country by a U. S. citizen excluded from tax entirely?—T. A. McD.

A. (a) The United States does not allow any specific deduction for dividends on mining stocks. However, to the extent that the dividend is really a return of capital, it need not be included in income at all. (b) If a United States citizen resides in a foreign country for more than six months during the year, his wages are exempt from income taxation in this country.

A Widow's Exemption

Q. In regard to Income Tax, $1,500 is the exemption to a single person and $3,500 to a married person or the head of a family. I am interested in knowing which class the widow belongs to? I am a widow without any dependents, but am keeping up a home for myself.—Mrs. M. A. S.

A. A widow is entitled to an exemption of $1,500. She is considered to have the same status as a single person.

Profit on Exchange of Stocks

Q. I should like very much to know whether or not the following sale should be reported for income tax? During the year a concern exchanged one share of each preferred and common for each share of old capital stock. This old stock had been purchased several years previously. The new preferred was retained, but the common sold.—S. L. C.

A. The exchange of the common stock for a share of preferred and new common stock does not give rise to any tax. Instead, the cost of the old common stock is apportioned over the preferred stock and the new common stock on a basis of their respective market values at the time they are issued. Gain or loss upon their subsequent sale is determined accordingly. For example, if you paid $100 for a share of the old stock and immediately after the exchange the preferred stock was worth $100 and the new common stock $50, the preferred stock is deemed to have cost you 66⅔% and the common stock 33⅓%. If you go out and sell the common stock for $50 a share, there is a taxable profit of $16.66⅔ per share.

Trusts and Real Estate Profits

Q. My father and mother have created a living trust estate of which I am trustee. The entire income goes to them during the lifetime of either or both of them. Is the return to be made as an estate or trust, or should the return be made by them as individuals, since the entire income goes to them? Also, I, as trustee, sold from the estate a piece of property on contract, for $175,000. Title will not pass to the purchaser until one-half ($87,500) is paid up, which will be in May, 1927. By January 1, 1927, $40,000 will have been paid in, and the real estate broker's commission of 5% ($8,750) will have been paid. The value of the property as of March 1, 1913, was $25,000. As $40,000 is less than 25% of the purchase price, how should I make the return? How is the commission of $8,750 applied. When title passes to purchaser, a first mortgage of balance ($87,500) is given to me. This first mortgage, I understand, is to be deemed the equivalent of cash.—J. V. H.

A. A return is required of the trust in addition to the returns due from your father and mother. The real estate transaction is an installment sale. You need, therefore, only report that part of the total profit to be realized that the cash collected during 1926 bears to the total contract price. The commission may be offset against the selling price in determining the profit to be realized, and therefore the amount to be reported in each installment payment. The mortgage that you will take back need not be regarded as the equivalent of cash. You will, of course, have to take into consideration depreciation on the property since March 1, 1913, in computing your cost.

Automobile Taxes

Q. Is the government tax paid on a new automobile deductible? E. S.

A. You cannot deduct the automobile tax. The tax is on the manufacturer, not on the purchaser. You are merely reimbursing the manufacturer for the tax he has paid.

Widower as Head of the Family

Q. I am a widower maintaining a home and have one daughter over 18 years of age and capable of self-support, living with me. I pay all her bills. May I, as the head of a family, take $3,500 as exemption in my Federal Income Tax return? E. A. S.

A. You are entitled to the $3,500 exemption. The fact that your daughter is over the age of eighteen and capable of self-support is immaterial for this purpose. If she is actually dependent on you, that is sufficient.

Inheritance Taxes

Q. Kindly inform me what States do not have the "Inheritance Tax" laws?

A. Florida, Alabama and the District of Columbia are the only places where there are no inheritance taxes in this country.

Earned Income of Husband and Wife

Q. My wife and I make separate returns. I understand that I can participate under the earned income section up to the amount of my earned income not to exceed $20,000. Will you please advise if my wife participates at all under this clause? R. S.

A. Each of you is entitled to the earned income allowance based on the amount and source of your own incomes.

Tax Paid at Source on Bonds

Q. When the income less exemptions and credits is less than $4,000, is the credit for the income on tax free bonds or bonds on which the tax is paid as the source to be figured at 1½% or 2%. Also, if the income less exemption and credits is more than $4,000, is this credit to be figured at 1½% or 2%.

(Please turn to page 834)

International Securities Trust

OF AMERICA

A MASSACHUSETTS TRUST

Condensed Statement

November 30, 1926

RESOURCES:

Investments at Cost (market value $22,108,372.04)	$20,862,383.77	
Cash in Banks	1,782,236.58	
Accrued Interest and Current Items	472,262.41	
Subscriptions to Capital Shares (since collected)	2,261,251.44	
Bond Discount (unamortized)	97,775.36	
		$25,475,909.56

LIABILITIES and CAPITAL:

Cumulative Preferred ($100 par)	$9,594,100.00	
Common Class A (no par) 226,466½ issued; 10,538½ subscribed	3,415,090.00	
Common Class B (no par) 600,000 subscribed	2,222,220.00	
Secured 6% Serial Gold Bonds	6,000,000.00	
Secured 5% Serial Gold Bonds	2,000,000.00	
Current Liabilities and Accrued Taxes	470,914.57	
Accrued Interest and Dividends	478,589.38	
Surplus and Reserves	1,294,995.61	
		$25,475,909.56

Bond interest was earned more than five times during the year ended November 30, 1926.

Preferred share dividends were earned more than four and a half times during the year.

Earnings on common shares, before reserves, were more than four and a half times Class A dividends paid; after reserves, more than three times. Current dividends on Class A common shares are at the annual rate of $1.80.

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West Indies Cruise

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S.S. VEEDAM .... March 20
S.S. MEGANTIC .... Mar., April

Mediterranean Cruise

S.S. LAPLAND .... March 5, 1927
S.S. LANCASTRIA .... March 5
S.S. CARINTHIA .... March 29

There are also regular sailings which include North African Tours.

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Colorado, California, Yellowstone and the scenic West. Two fast through routes to California—Golden State Route and Scenic Colorado way.

New York Central Lines
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Canadian Pacific Railway
Trans-Canadian Nova Scotia to Vancouver through Rockies and National Parks.

Northern Pacific Railway
Yellowstone Park and Scenic Northwest.

Southern Pacific
New York to New Orleans by steamship or rail connections.
Scenic Southwest all California Coast and Valley Points.

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The Redwoods, Yosemite, National Park, Mountains, Lakes, etc.

Pennsylvania Railroad
New York, Philadelphia, Atlantic City, Washington to Chicago and St. Louis.

Canadian National Railways
Quebec to Montreal, across prairies and Rockies to Prince Rupert and Vancouver.

Union Pacific
Central Route between Chicago and California over overland trail.

Sante Fe
Old Santa Fe trail to Southwest. Petrified Forest, Grand Canyon and other National Parks.

Hawaii
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Yellowstone National Park
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Seattle—The Pacific Northwest
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Average earnings last three and one-half years indicate interest requirements earned six times over and currently more than *eight times over.*

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A circular describing 7% ten-year Collateral Trust Sinking Fund Gold Notes, in denominations of $500 and $1,000, carrying a bonus of 2 shares of capital common stock. There is no common stock for sale. This hotel is Pittsburgh's largest and newest, containing over 600 rooms. Additional income will be secured by the renting of space for shops on first two floors. Pittsburgh brokers predict this hotel will be one of their city's outstanding successes, as the need of a modern commercial hotel of this type has long been recognized as a major necessity. These notes are being issued by a prominent Philadelphia house. Send for your free copy. (392)

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6% AND SAFETY LIST

For over fifty years we have been assisting investors in the selection of sound securities and our information department has recently compiled this list which we will send you free. Ask for (313).

(*Continued from page* 832)

A. In the first case, your credit is $1\frac{1}{2}\%$, and in the second it is 2%.

Information by Employers of Employees' Salaries

Q. I worked for a company from January 1, 1926, to April 1, 1926, and earned $630. Does the company report this amount to the government since it is less than $1,500? Generally, is any earned amount less than $1,500 reported by a company whether it be for a full year or any part of a year that the person was employed? S. T.

A. Employers are required to file information slips about salaries paid to employees only where the amount paid to the employee during the calendar year is $1,500 or more in the case of a single person and $3,500 or more in the case of a married person.

Bonus to Employee

Q. I received a bonus of several hundred dollars from my company which was definitely declared from surplus earnings, and on which my company has paid the Corporation Tax. That is, my company is not regarding this as an expense for them. Do I pay tax on this when making return for calendar year 1926? E. A. T.

A. Apparently the company made a gift to you. Gifts are not taxable, and hence you need not report it.

Annuities

Q. I am contemplating the purchase of a Straight Annuity. Would the semi-annual payments on such an Annuity be subject to either normal, or Excess Income Tax? J. H. C.

A. No income need be reported by you until you have received back the amount you originally paid for the annuity. From that point on, all further receipts are subject to both normal and surtax.

Deductibility of Stock Assessment

Q. During 1926 I paid an assessment on some stock that I own, but I have not as yet sold this security. Will the amount of the assessment be deductible from my 1926 return? L. A. H.

A. The amount of the assessment is not deductible. It is regarded as an addition to the cost of the stock to be considered when the stock is sold.

Exemption from a Trust

Q. When all the income of a Trust is distributed each year, is the Trust entitled to an exemption of $1,500? A. Y. M.

A. A Trust is entitled to an exemption of $1,500, but since all the income is distributed it will have no occasion to make use of the exemption.

TRADE TENDENCIES

(*Continued from page* 828)

where operators have found burdensome and increased wage scales granted in October, in the period of great sales and production. One or two wage cuts have already made their appearance while others are under consideration. Even though the tendency of these reductions seems to leave wages 15 to 20% higher than those current in the Fall, the step down naturally unfavorably affects the sympathies of non-union workers. Many companies are caught in a dilemma; either the expense of a strike to settle the wage level must be borne or the present scale if not one closely approximating it, must be maintained, resulting in high operating costs in the face of an already over supplied market.

Anthracite has returned to heavy production, although markets, except in New York City, are distinctly lethargic and no marked price changes are in prospect.

PULLMAN COMPANY

(*Continued from page* 809)

ments in order to maintain a higher rate. Earnings of the latter though steadily growing are subject to very wide swings which are characteristic of the equipment industry.

There is one more element of value to consider in the case of the Pullman Company and this is the question of the valuation of its cars. These, numbering 8739, were valued $196,841,691 less depreciation reserves of $86,432,-433 according to the last annual report. The undepreciated value per car is equal to $22,500. New cars added during the year were obtained from the subsidiary at a cost of about $32,000 per car. It is also true that by securing additional business from other car buyers the manufacturing company was able to reduce its overhead costs. Otherwise the cost of the cars to the parent company would have been much larger. If the Pullman Company had to reproduce all its cars on the new basis of current costs, its 8739 cars would be carried at $280,000,000.

The net return of $10,390,406 still falls short of the $5\frac{3}{4}\%$ rate permitted by law on the basis of property value. The recent court decision in the Indianapolis Water case established a principle of valuation on a reproduction basis less depreciation. Applying this principle to the Pullman Company, there can be very little to gain in net income, as a revaluation would permit net income of about $11,300,000. It should also be borne in mind that while the legislation of seven years ago placed a certain percentage return on the property valuation to which the company is entitled, there is nothing in the law that will compel the Interstate Commerce Commission to allow rates that would earn such a return on an increased valuation. Hence, the possibility of substantial gains in net income from operations, due to a revaluation of the property, can hardly be expected in the near future.

Conclusion

The new stock when issued would be quoted at about $75 a share on the basis of current quotations for the Pullman Company stock. As a result of the foregoing facts, an annual rate of $4 a share could be maintained without difficulty. The return would be 5.3%, which is fairly adequate in view of current money conditions. The investment calibre of the stock would entitle it to sell more closely in line with money rates. Any further advance would largely depend on whether the increased earning power could be permanently maintained. *For the present, however, the issue seems appraised sufficently high in the market, though in years to come it will undoubtedly sell higher.*

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Each week our subscribers are advised what new market commitments to make, what holdings to close out. The trading advices cover a range of from 6 to 12 stocks at a time. The maximum number of common stocks in the Bargain Indicator is 30. Each stock is carried in the table week after week with a recommendation indicating whether it is still in a buying position—should be held or sold.

Here are some of the profits taken by our subscribers in the past 30 days:

	Points		Points		Points
Columbia Gas & Elec. Pf.	5	Kennecott Copper	10	St. Louis & San Francisco, Pf.	11
Barnsdall, "A"	5	Norfolk & West.	11	Wabash "A" Pf.	19
Hudson & Manhattan	17	Peoples Gas Lt. & Coke	8		

The only loss that has been taken on our recommendations was in New York, Ontario and Western on which we estimate an average loss of one-half of one point per share. This was the only loss attending any of our Trading or Bargain Indicator recommendations in several months. The open position of the Bargain Indicator and of the Special Supplementary Trading Advices on February 18th showed paper profits of 130 with paper losses totaling but 19½ points per share, a net of 110½ points profit on the basis of one share of each stock carried.

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New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1926		1927		Last Sale 2/16/27	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	70	172	91¾	171⅝	161¾	168¾	7
Do. Pfd.	106¾	96	102⅛	75	102	72	101	99⅝	†100	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	205	182¾	192	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	109¾	27⅝	114	106⅛	113⅞	6
Do. Pfd.	96	77⅛	80	48¼	73⅞	38½	77	73¼	76¾	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	70⅞	65⅛	67⅜	4
Do. Pfd.	..	..	..	..	89¾	31⅜	88	86⅜	†87½	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	182	165	179⅜	10
Chesapeake & Ohio	92	51⅛	71	35⅝	178⅝	46	162¾	151¾	156	‡8
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	17⅝	9	16¾	..
Do. Pfd.	181	130½	143	62½	76	7	25	18⅝	23¾	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	83⅛	78⅜	82⅝	4
Chicago, R. I. & Pacific	..	..	45¾	16	71¼	19⅛	78⅜	68½	78	5
Do. 7% Pfd.	..	..	94¾	44	108	64	106½	102¾	106	7
Do. 6% Pfd.	..	..	80	35¾	98	54	97⅞	95¼	97¼	6
Delaware & Hudson	200	147½	159½	87	183½	83¼	181	171½	179⅞	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	154⅞	140¼	153	‡6
Erie	61¼	33⅛	59⅛	18¾	42	7	45⅝	39¼	43¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	55¼	11⅛	58⅛	53⅜	56½	..
Do. 2nd Pfd.	39½	19½	45⅝	13⅛	50¼	7⅛	52⅝	49	51⅛	..
Great Northern Pfd.	157⅞	115⅛	134¾	79¼	100⅝	50⅝	89¼	79⅝	89¼	5
Hudson & Manhattan	..	..	..	..	41½	20⅝	49⅛	40½	48½	2½
Illinois Central	162½	103¾	115	85¾	131	80⅞	127½	121½	126¾	7
Interboro Rap. Transit	..	..	..	..	53¾	9½	47⅞	43⅜	44⅛	..
Kansas City Southern	50¼	21⅜	35⅛	13⅛	51⅜	13	51	41¼	50	..
Do. Pfd.	75½	56	65½	40	68¾	40	67	64⅞	†66	4
Lehigh Valley	121¼	62½	87⅛	50⅜	106	39⅛	125	99¾	123	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	134½	128⅜	134¼	7
Mo., Kansas & Texas	*51⅛	*17¼	*24	*3⅛	47⅛	*¾	41⅝	31½	39⅞	..
Do. Pfd.	*78¼	*46	*60	*6½	96⅜	*2	99	95¾	98¾	6
Missouri Pacific	*77½	*21⅛	38⅛	19⅞	45	8¼	50⅛	37⅞	50⅛	..
Do. Pfd.	..	..	64⅞	37½	95	22¼	102½	90⅛	101¼	..
N. Y. Central	147¾	90⅜	114¼	62½	147½	64½	146½	137¼	144⅝	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	198	186	192⅞	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	48⅜	9⅝	58⅝	41⅝	57½	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	31⅝	23¼	30	1
Norfolk & Western	119¼	84¼	147⅛	92⅝	170⅞	84¼	168	156	166⅝	8
Northern Pacific	150⅛	101¾	118⅞	75	99⅞	47⅞	86⅜	78	86⅜	5
Pennsylvania	75⅝	53	61½	40¼	57⅛	32¼	58⅝	56⅜	57½	3½
Pere Marquette	*36⅛	*15	38⅛	9½	122	12⅛	126	114½	125	6
Pittsburgh & W. Va.	..	..	40⅜	17¾	135¼	21⅛	148	122⅛	140⅜	6
Reading	89⅝	59	115½	60⅛	108	51⅞	113	94	109¼	4
Do. 1st Pfd.	46¾	41¼	46	34	61	33⅞	42⅛	40⅛	42½	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	50	43⅜	49	2
St. Louis-San Fran.	*74	*13	50½	21	103½	10¾	107¼	100¾	106¾	7
St. Louis Southwestern	40⅜	18½	32⅛	11	74	10⅞	70⅛	61	70	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	40¼	34½	38⅝	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	43¾	39¼	41⅛	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	110¾	106¼	110½	6
Southern Railway	34	18	36¾	12½	131¼	24¾	127	119	123⅝	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	95⅝	94¼	94¾	5
Texas & Pacific	40½	10¼	29½	6⅛	70½	14	64½	53⅞	63⅛	..
Union Pacific	219	137¾	164⅜	101¼	168⅜	110	170	159½	168⅜	10
Do. Pfd.	118½	79¾	86	69	81¼	61¼	82½	80⅛	81	4
Wabash	*27⅞	*2	17½	7	52	6	67½	40½	66¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	78¾	17	88¼	76	87¾	5
Do. Pfd. B	..	..	32⅞	18	72	12¼	75½	65	†77	..
Western Maryland	*56	*40	23	9¼	18⅜	8	44⅜	13	30⅜	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	42⅜	23	35	..
Western Pacific	..	..	25⅛	11	40	12	39½	27¾	35⅝	..
Do. Pfd.	..	..	64	35	86½	51⅛	76⅜	73	74½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	130	27½	62	..
Do. Pfd.	..	..	50⅝	16⅝	53⅛	9¼	93	47½	82	..

INDUSTRIALS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1926		1927		Last Sale 2/16/27	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Adams Express	270	90	154⅛	42	136	22	137	124	133¼	6
Ajax Rubber	..	..	89⅛	45⅛	113	4⅛	12⅝	9	11	..
Allied Chem. & Dye	..	..	..	..	148⅞	34	140⅛	131	138	6
Do. Pfd.	..	..	..	..	122¾	83	122	120¼	122	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	92⅝	88	91¼	6
Do. Pfd.	43	40	92	32½	111½	67	111	109	†109½	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	14¾	12	14¼	..
Do. Pfd.	105	90	103½	89⅛	103	18	51¾	45½	48	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	25⅝	22⅝	24	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	17⅛	13	†13⅛	..
Am. Can	47⅞	6⅞	68⅛	19¼	*297⅞	*21¾	49¼	45⅝	46½	2
Do. Pfd.	129¼	98	114½	80	130⅛	72	129⅛	126	128½	7
Am. Car & Foundry	76⅛	36⅛	98	40	*201	97⅛	105	99½	104½	6
Do. Pfd.	124¾	107½	119½	100	130¼	105¾	130	127¾	†127½	7
Am. Express	300	94¾	140½	77½	175	76½	133¼	127	130½	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	10⅛	8⅛	9⅛	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	52⅝	49⅛	51¼	..
Am. Ice	..	..	49	8⅞	139	37	126¼	114½	†120½	‡8
Am. International	..	..	62¾	12	132¼	17	40⅝	37¼	38⅞	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	71⅛	54	60¼	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	112¾	105¾	110½	8
Do. Pfd.	122	75	109	93	124¼	96½	121	119¾	†119⅞	7
Am. Metal	..	..	..	..	67⅜	38¾	44	41½	42	3
Am. Radiator	*500	*200	*445	*235	*345	64	115¼	110⅛	114¼	5
Am. Safety Razor	..	..	..	..	76¾	*3½	55	48	50⅛	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	6¾	4⅛	5⅛	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	152	29¼	144¾	132⅝	144	8
Do. Pfd.	74½	24½	95	44	50	18	122	120¼	†120¾	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	63¼	46½	44	46	3
Do. Pfd.	..	..	..	..	115	78	115	113	†113½	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	84	79	83	5
Do. Pfd.	133½	110	123½	106	119	67½	109¾	108	109¾	7
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	151	92½	155¾	149¼	155⅝	9

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1926 High	Low	1927 High	Low	Last Sale 2/16/27	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82½	123¾	120	122½	8
Do. Com. B	..	..	..	..	*210	81¼	122⅞	119¼	122	8
Am. Water Works & Elec	..	..	..	..	*144	*4	67¼	62¼	64¾	160
Am. Woolen	40⅝	15	60⅞	12	169½	19	33⅜	23¼	24	..
Do. Pfd.	107¾	74	102	72½	111⅞	66	86½	73⅛	73¾	7
Anaconda Copper	54⅝	27½	105⅝	24¼	77⅞	28⅛	49½	45	46⅝	3
Associated Dry Goods	..	..	28	10	*140½	46½	44¼	39½	42½	2½
Do. 1st Pfd.	..	..	75	50½	102½	49⅞	102	101	†101	6
Do. 2nd Pfd.	..	..	49½	35	110	38	107¾	107½	†105½	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	42	35⅞	†36	..
Do. Pfd.	32	10	74¾	9⅞	70½	6¾	38½	36	36¼	..
Atlantic Refining	..	..	..	..	*1575	78½	115¼	107	114	..
Austin Nichols	..	..	..	..	40⅜	7⅛	10¼	7⅛	†7½	..
Do. Pfd.	..	..	..	..	95	50⅝	61	51	†52	7
Baldwin Locomotive	60¾	36½	154½	26⅝	167¾	62¼	188½	143⅛	186¼	7
Do. Pfd.	107½	100¼	114	90	119¼	92	118	116	†117	7
Bethlehem Steel	*51⅝	*18¾	155⅛	59¾	112	37	47¾	43¾	46½	..
Do. 7% Pfd.	80	47	186	68	108	78	108⅞	104¾	107¾	7
Brooklyn Edison Electric	134	123	131	87	163	82	154¼	148½	149¾	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	93¾	89⅞	92	4
Burns Brothers	45	41	161½	50	147	76	125¾	110½	†114½	10
Do. B	..	..	..	..	53	17	28⅛	21¼	24¼	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	11¾	10½	†10¾	2
California Packing	..	..	50	30	*179½	48¼	70	64	67¼	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	32⅞	30⅝	31	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	10¾	8⅜	†9½	..
Do. Pfd.	111	80	117½	94⅞	114	28½	63	54	62¾	..
Cerro de Pasco Copper	..	..	55	25	73½	23	62⅝	60⅛	60⅝	4
Chile Copper	..	..	39¼	11¼	38⅜	7	36½	34⅜	35¼	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	23⅛	22⅛	†23¾	..
Chrysler Corp.	..	..	..	..	*253	*108¼	43½	38⅛	42¼	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	105	103	104⅞	8
Coca Cola	..	..	..	..	177¾	18	178¾	167½	177¼	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	60⅞	42⅝	59¼	..
Columbia Gas & Elec	..	..	54⅛	14¼	*114⅞	30¼	91⅝	82⅞	83½	5
Congoleum-Nairn	..	..	..	..	*184⅜	12½	21	17¼	18⅜	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	84⅞	77⅞	83	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	109½	97½	97¾	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	73½	68	69⅝	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	50½	46⅞	50	2
Do. Pfd.	98½	61	113½	58⅛	130¼	96	129⅜	128	†128	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	86	77	84½	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	10¾	9⅞	9⅞	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	50¾	47⅜	48½	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	28½	26	26¼	1
Cuyamel Fruit	..	..	..	..	74½	32	34	32	†32¾	..
Davison Chemical	..	..	..	..	81¼	20⅜	31¾	27⅛	†28½	..
Dupont de Nemours	..	..	..	..	*360	*105	180	168	176¾	8
Eastman Kodak	*No Sales		*605	*605	*690	70	134½	126¼	131	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79⅛	72½	76⅛	‡5
Endicott-Johnson	..	..	..	..	150	44	67¼	64¾	†66½	5
Do. Pfd.	..	..	..	..	120	84	118¼	116⅜	†115¾	7
Famous Players-Lasky	..	..	..	..	127½	40	114⅝	107¼	109¼	8
Do. Pfd.	..	..	..	..	124½	66	124⅜	120	120	8
Fisk Rubber	..	..	..	..	55	5⅛	17½	16	17⅛	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	86½	81	85	7
Fleischmann Co.	..	..	..	..	*171½	*75	49	46⅛	46⅝	2
Foundation Co.	..	..	..	..	183¾	58½	81⅞	75	81⅜	8
Freeport-Texas	..	..	70½	25¾	64⅜	7⅛	46¼	34	44½	2
General Asphalt	42⅞	15½	39⅜	14¼	160	23	87⅜	77½	83¾	..
General Cigar	..	..	..	..	*115¼	46	53⅞	52	53½	4
General Electric	188½	129¾	187¼	118	*386½	109⅛	85⅛	81	83⅞	‡3
General Motors	*51¾	*25	*850	*74½	225¾	*8⅛	159½	145½	156	8
Do. 7% Pfd.	..	..	..	..	122¼	95⅛	122	120	120½	7
Goodrich (B. F.) Co	86½	15½	80¼	19⅝	93⅜	17	55⅝	42¾	52	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62¼	99½	95	99⅛	7
Goodyear T. & R. Pfd	..	..	..	..	114⅝	35	101	98⅛	101	7
Do. Prior Pfd.	..	..	..	..	109⅞	88	107⅛	105	107	8
Granby Consolidated	78¼	26	120	58	80	12	35	31⅛	34⅜	..
Great Northern Ore Ctfs	88½	25½	50⅜	22½	52¾	18	23¼	19¼	21⅞	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	63⅝	53	60¼	5
Hayes Wheel	..	..	..	..	52⅞	17⅛	20	15⅛	16⅛	..
Houston Oil	25½	8	86	10	116½	40½	91¾	60⅛	87	..
Hudson Motor Car	..	..	..	..	139½	19½	66	48¼	63	3½
Hupp Motor Car	..	..	11	2⅛	31	4⅝	23⅝	21	21¼	1.40
Inland Steel	..	..	..	..	50	31⅛	43¾	41	41½	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	25½	23	23⅛	2
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	60⅞	53⅛	59	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	51⅞	43⅛	51	2
Inter. Harvester	..	..	121	104	158⅛	66¾	161¼	135⅜	160¼	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	8⅝	6¼	6⅝	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18⅛	44⅝	37	40¾	..
Inter. Nickel	*227¼	*135	57½	24½	48⅛	24¼	43⅜	38¼	42¼	2
Inter. Paper	19¾	6½	75⅛	9⅛	91¾	27⅞	60¼	53⅛	55	2
Kelly-Springfield Tire	..	..	85	36⅞	164	9	11½	9½	10¼	..
Do. 8% Pfd.	..	..	101	72	110	33	44½	35	34⅛	..
Kennecott Copper	..	..	64¼	25	64¼	14⅝	62¼	60	61⅛	5
Kinney (G. R.) Co	..	..	..	..	103	35½	45	21¼	†25½	..
Lima Locomotive	..	..	..	..	74⅞	52	74⅛	63	71¾	4
Loew's, Inc.	..	..	..	..	48⅜	10	52⅞	46⅞	52⅞	2
Loft, Inc.	..	..	..	..	28	5½	7⅝	6⅛	6⅞	..
Lorillard (P.) Co	*215½	*150	*239⅞	*144½	*245	27¾	32⅞	29¼	30	2
Mack Trucks	..	..	..	..	242	25½	97¾	88¼	97	6
Magma Copper	..	..	..	..	46	26⅛	35⅜	29½	34¼	3
Mallinson & Co	..	..	..	..	45	8	16	14	14	..
Maracaibo Oil Explor	..	..	..	..	37½	16	22¾	18	19½	..
Marland Oil	..	..	..	..	63⅜	12⅛	58½	55½	57⅝	..

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 2/16/27	Div'd $ Per Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	70⅞	67¼	70	4
Mexican Seaboard Oil	..	..	..	..	34½	5¾	9¼	6⅝	8⅞	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	16⅛	14¾	15⅛	1½
Montgomery Ward	..	..	..	..	82½	12	67⅜	60⅜	64¾	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	101½	94¾	97½	5
National Dairy Prod	..	..	..	..	81⅞	30⅛	78	70⅜	77	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	29¾	24½	26¾	..
National Lead	91	42½	74⅝	44	181	63½	172¾	160	167	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	47⅞	40⅜	46½	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	36	34	34½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	49¾	45⅝	48	§10%
Do. Pfd.	..	..	..	..	52¼	31⅞	51¼	50	†50½	3
Packard Motor Car	..	..	..	..	48½	9⅞	36⅜	34	34⅞	2.40
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	65⅞	60¾	64	6
Do. Class B	..	..	..	..	111¾	34⅛	66¾	61	64½	6
Philadelphia Co.	59	37	48⅞	31½	91	26½	88	85¼	†85	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	47	41⅝	43⅝	..
Phillips Petroleum	..	..	..	..	69⅝	16	60¼	54¾	59½	3
Pierce-Arrow	..	..	65	25	99	6⅛	22⅞	18⅛	20⅞	..
Do. Pfd.	..	..	109	88	127¼	13½	102½	85	91½	8
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	29	36½	33⅞	†34	..
Postum Cereal	..	..	..	..	*134	*47	102¾	96½	97¾	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	56	36½	56	..
Do. Pfd.	112	88½	109⅛	69	106	67	85¾	76½	85¾	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	35	32	33⅞	2
Pullman Company	200	149	177	106⅛	199½	87¼	189½	181¾	185⅜	8
Punta Alegre Sugar	..	..	51	29	120	24¾	46⅞	41¾	44½	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	32⅝	27¼	31⅞	1½
Radio Corp. of Am	..	..	..	..	77⅞	25⅞	56⅝	47⅛	53⅛	..
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	52⅛	50¼	52	3½
Replogle Steel	..	..	..	..	93½	7¼	13½	10⅛	12	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	65¼	56½	62½	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	102¼	96⅝	101½	7
Royal Dutch N. Y	..	..	86	56	123⅜	40⅝	54½	50⅛	52	1.33
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	71	61¾	†63	4
Schulte Retail Stores	..	..	..	..	*134⅞	*88	49⅜	47¼	48	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	*54¼	55⅜	51	54½	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	47⅞	44½	†47	.967
Shell Union Oil	..	..	..	..	31	12⅛	31¾	28¾	31¾	140
Simmons Company	..	..	..	..	54⅝	22	36⅜	33⅛	35⅜	2
Simms Petroleum	..	..	..	..	28½	6½	22¾	19	22⅜	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	22⅜	19	21¾	..
Skelly Oil	..	..	..	..	37⅛	8⅝	36¼	34¼	35⅞	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	131½	123¼	129	6
Standard Oil of Calif	..	..	..	..	*135	47½	60¾	58	58⅝	2½
Standard Oil of N. J.	*448	*322	*800	*355	*212	30⅞	41⅜	37¾	39⅝	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	116¼	115⅝	116⅛	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	67¾	62½	63⅛	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	51	47⅞	48¾	6
Studebaker Company	49½	15¾	195	20	*151	30½	56½	52¾	53⅛	5
Do. Pfd.	98½	64½	119½	70	125	76	120	118	†120	7
Tennessee Cop. & Chem	..	..	21	11	17¼	6¼	13¼	10⅝	†12	..
Texas Co.	144	74½	243	112	58	29	58	55½	57⅜	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	54⅜	49	53⅛	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	16⅜	14⅛	15½	.60
Tide Water Oil	..	..	225	165	*195	5½	29⅛	27⅛	†27	1½
Timken Roller Bearing	..	..	..	..	85⅜	28½	95¾	78	94	‡4
Tobacco Products	145	100	82⅜	25	116⅝	45	110⅜	107	108⅜	7
Do. Class A	..	..	..	..	118⅜	76	116½	113⅛	114½	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5	4⅛	5	..
Union Oil of Calif	..	..	..	..	58⅜	33	56½	52¾	52¾	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	100	93¼	94½	§‡2
United Drug	..	..	90⅞	64	175⅛	46¼	171¼	159	163½	8
Do. 1st Pfd.	..	..	54	46	59	36⅝	60	58½	59	3½
United Fruit	208½	126½	175	105	*294	95¾	119⅞	113½	119	‡4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	228½	202	216	10
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	82¾	77⅛	79	5
U. S. Realty & Imp	87	49¾	63¾	8	*184½	17	66⅝	61⅛	64⅛	4
U. S. Rubber	59½	27	80½	44	143¾	22½	65	56¾	62⅝	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	110	107¼	†109⅜	8
U. S. Smelt., Ref. & Min	59	30⅜	81½	20	78¼	18⅜	36⅞	33⅜	†34¾	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	160¼	153½	158½	7
Do. Pfd.	131	102⅛	123	102	130¾	104	130⅝	129	129½	7
Utah Copper	67½	38	130	48⅛	116	41⅛	113½	111	†110	6
Vanadium Corp.	..	..	..	..	97	19⅛	41	37	39⅜	3
Western Union	86¼	56	105½	53⅜	157⅞	76	151	144½	150	8
Westinghouse Air Brake	141	132½	143	95	146	76	145⅛	133⅛	144⅜	7
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	73½	67⅝	71	4
White Eagle Oil	..	..	..	..	34	20	27½	25¾	27¼	2
White Motors	..	..	60	30	104½	29¼	57⅜	53⅜	55⅜	4
Willys-Overland	*75	*50	*325	15	40¼	4½	24	19½	21¾	..
Do. Pfd.	..	..	100	69	123⅞	23	95	90	90	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	15¾	12⅛	15¼	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	128⅜	119¾	127	5
Worthington Pump	..	..	69	23½	117	19	27	20⅛	†25	..
Do. Pfd. A	..	..	100	85⅞	98½	44	50	46	†43	..
Do. Pfd. B	..	..	78⅜	50	81	37¼	43¼	40	†41	..
Youngstown Sh. & Tube	..	..	..	..	95¼	59¾	90	85⅛	88¼	5

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock.

Securities Analyzed, Rated and Mentioned in this Issue

PART XIII.—IMPORTANT PRINCIPLE OF TRADING

(*Continued from page* 806)

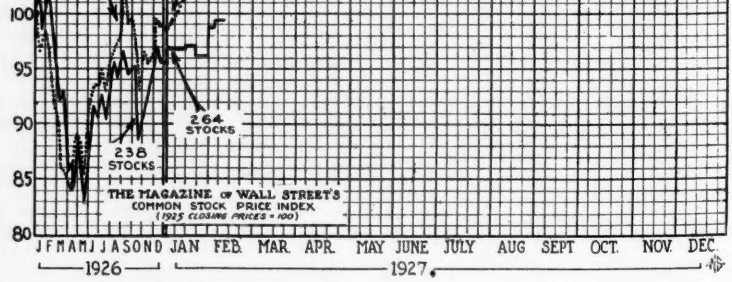
mapped out a practical profit-making campaign, in order that the beginner may have some tangible guide by which to judge his own progress. He should keep complete and detailed records of all trades in such form as to permit calculation of his trading and forecasting efficiency for comparison with the standards here laid down. It would be unwise for him to begin trading with large capital until it has been demonstrated by actual experience that he can maintain at least the minimum of requirements for success in the business, over a period of six months or more.

(Part XIV, on "When and What to Buy and Sell," the concluding installment of this Series, will appear in an early issue.)

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low	Recent Indexes Feb. 5	Recent Indexes Feb. 12
264	COMBINED AVERAGE	99.3	95.7	98.8	99.3
38	Railroads	116.5	98.5	116.5 H	115.6
4	Agricultural Equipment	74.1	68.8	70.8	74.1
2	Alcohol	95.5	82.1	82.1	95.5
12	Automobile Accessories	82.9	79.3	82.9	80.2
16	Automobiles	76.4	71.2	72.4	73.4
3	Baking	83.6	76.6	77.7	76.6
3	Business Equipment	123.0	108.5	117.2	H 123.0
5	Chemicals and Dyes...........	112.8	107.3	109.5	H 112.8
9	Construction & Bldg. Material.	84.4	77.9	80.5	84.0
3	Containers	100.1	97.3	98.7	97.9
10	Copper	119.0	115.5	115.8	115.5
2	Dairy Products	80.0	72.3	72.6	72.3
4	Department Stores	73.7	70.4	70.4	71.1
4	Drugs and Toilet Articles.....	155.0	148.8	151.5	150.0
7	Electric Apparatus	96.1	91.6	92.5	93.3
8	Foods and Beverages..........	77.5	73.2	73.4	73.2
3	Furniture	94.7	89.1	89.1	92.0
2	Leather	82.6	69.8	80.5	80.0
2	Mail Order	88.0	82.8	82.8	83.2
5	Marine	87.6	79.4	79.7	79.4
2	Meat Packing	74.8	71.4	71.9	71.8
5	Metals	90.3	81.9	86.4	88.2
7	Miscellaneous	101.8	96.7	97.5	98.8
3	Paper & Publishing...........	156.2	150.4	156.2	155.7
35	Petroleum	102.1	95.3	102.1	101.1
11	Public Utilities	97.9	93.1	94.7	95.5
1	Radio	125.8	110.1	116.6	125.8
8	Railroad Equipment	107.4	100.3	103.3	H 107.4
1	Real Estate	95.4	91.1	95.4	94.2
5	Recreation	116.5	112.3	114.5	112.3
6	Rubber	76.4	64.4	73.3	76.4
13	Steel	87.4	83.9	86.3	87.4
4	Sugar	112.7	110.0	111.0	110.5
2	Sulphur	198.0	166.1	191.6	H 198.0
2	Telephone	108.1	104.6	106.5	106.8
3	Textiles	92.5	81.0	81.0	82.9
9	Tobacco	149.0	145.6	145.9	145.6
5	Traction	128.7	126.4	127.0	127.5

H—New HIGH record since 1925.



(An unweighted Average of weekly closing prices, specially designed for investors. The 1927 Index includes 264 issues, distributed among 37 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

Another Unusual Opportunity in Stocks

Now and then, for unusual reasons, certain stocks will sell very low. They are decidedly under value—hence bargains.

¶ A group of stocks in December had sold off, until drastically deflated. Most investors paid no attention to these particular stocks. They thought there were no bargains in that directions; news items at the time were bearish.

¶ Our investigations revealed how much *sounder* conditions were *in fact* than they seemed to be—more important still that *a turn for the better* was close at hand. Accordingly the American Securities Service selected four stocks, the choicest in the group, as cheap. Clients of this Service bought them.

¶ At that time, Dec. 3, these four stocks averaged 46¾. Now 60½—an advance of 29%—in less than three months. Do not overlook that this *29% profit* is on a bought-outright basis, not a thin market; also these were not risky speculations but *highly substantial issues*, two electric light and power stocks and two bank stocks!

Unusual market openings like this are not in plain sight, for everybody to see. They have to be sought out, with care.

¶ Our investigations have now located another market opening, of unusual sort.

¶ Four low-priced stocks in this case. Financial condition good. Companies operate in basic industries. These industries have recently been sharply deflated —which is why the four stocks are now so low.

¶ The outlook is for substantial, even though it may be less rapid, improvement in the industries—which will be reflected by a substantial rise in these stocks.

This unusual market opening is described in a "Special Report on Four Low-Priced Stocks" just prepared for our clients. That you may know how valuable the service we render clients is, a few extra copies of this report are being reserved for inquirers, free.

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ANSWERS TO INQUIRIES

(Continued from page 826)

believe that a stock of this character should be held over a protracted period of time, suggesting that you dispose of your holdings at a favorable opportunity.

ELECTRIC STORAGE BATTERY

What is the reason for the continued sagging of Electric Storage Battery common stock? I was under the impression this company was very favorably situated from a trade and financial viewpoint, and had a substantial earning capacity. I was rather surprised to note that the usual extra dividend was not paid last Fall. The stock has declined to a point where I now have a substantial loss, and am wondering just what course I should follow. Would you advise me to continue to hold?—BRV., St. Louis, Mo.

An official statement covering the earnings of Electric Storage Battery last year is not as yet available, but it is estimated the company will report a decline in earnings, which probably will not be above $7.25 a share. This compares with the equivalent of $9.47 a share in 1925, and $7.94 a share in 1924. The reason for this decline may be found in the automobile industry. The company, as you are probably aware, is largely dependent upon this industry for its revenues, and any serious slowing down in trade activities, such as we have witnessed in the recent past, has an adverse effect upon its earnings. In view of these circumstances, while the present dividend must be regarded as seasonably secure and the shares retain their investment merit, they have been temporarily robbed of much of their speculative flavor. For profit purposes we would prefer at this time either American Sugar Refining or Brooklyn Manhattan Transit. Both of these companies are doing well from an earning standpoint at the present time and seem to face an optimistic outlook.

TEXAS & PACIFIC COAL & OIL

I am a holder of 100 shares of Texas Pacific Coal & Oil, bought in 1923, at $24 a share. The stock has not sold at that price since. The most of this time I have not had the benefit of a dividend return, but I note that the company has recently restored payments. Is the outlook sufficiently promising to warrant continued holding of this stock, or should I dispose of what I have at a favorable opportunity?—G. R., Chicago, Illinois.

Indications are that operations of Texas Pacific Coal & Oil in 1926 were conducted on a more profitable basis than at any time since 1922. It is estimated that after deducting about 2 millions for depletion and depreciation, the company will have earned somewhere around 2 dollars a share on the 844,804 shares outstanding. In 1925, after writing off 1.72 millions of reserves, the company reported a balance of $730,000, equal to 86 cents a share. During the year, a number of important developments took place. The company expanded its operations, particularly in Montana, and now has a production of around 10,000 barrels daily. It has added 100,000 acres to its lease holdings in Texas with pros-

pect for new production in West Texas exceptionally good. During 1926, the company completed a 2,500 barrel refinery at Fort Worth, with all modern equipment, as well as 50 miles of gathering pipe lines. The 1 million essential for these facilities was provided for wholly out of the treasury. The average earnings of Texas Pacific Coal & Oil over a period of recent years have not been very satisfactory but in the light of these developments and the fact that the company is now well able to support the modest dividend paid on the shares, it would appear that a constructive attitude toward the future is warranted. We rate this stock as a speculation, but it is not unattractive in its class, and offers promise if held over a reasonable period of time.

UNDERWOOD TYPEWRITER

What you advise me to do in respect to my stockholdings in Underwood Typewriter? I purchased 50 shares recently at $46 per share, but I notice that earnings for 1926 have shown a decline from those of 1925 and now wonder if I did not act rather hastily. I might add that I purchased my stock for investment purposes, and am not particularly interested in its market course, but if there is any chance of dividend payments being passed I would like to effect a transfer. Please advise me.—W. J. B., Boston, Mass.

The persistent sluggishness which characterized the movements of Underwood Typewriter stock found ample explanation in the publication of the company's statement for 1926. Net earnings of 2.1 millions equal to $4.66 a share on the common, registered a sharp decline from the 2.7 millions, or $6.13 a share reported in 1925. It is interesting to note that earnings per share were only 66 cents in excess of dividend requirements. Moreover, the company's financial position underwent some depreciation. Bank borrowings were increased by 1 million to 2.5 millions. The reason for this poor showing is not at first apparent, but it is an open secret that competition in this line of endeavor has been particularly keen, a state of affairs which appears in little prospect of early amelioration. In view of the fact that Underwood's regular requirements were covered by a very small margin, it would appear that the present dividend does not rest on a very solid foundation. At all events, the shares have declined in investment merit, and it would probably be well to transfer to something with clearer defined prospects. We think well of Loews, Inc., in the light of long range possibilities and suggest this receive your consideration.

TOBACCO PRODUCTS

What is the position of Tobacco Products in regard to the new chain store combine. My understanding is that as the controlling interest in United Cigar Stores, this company will have a substantial interest in Union & United. Please tell me how this development affects my status as the owner of 50 shares of Tobacco Products which I purchased at 78 last year.—J. A. R., New Haven, Conn.

At the close of 1926, Tobacco Products Corporation owned 1,507,000 out of 1,900,000 outstanding shares of United Cigar Stores common stock of $25 par value. This stock is carried on the company's books at approxi-

mately $40 a share, less than half its present market valuation. While at first sight it would appear that the transfer of control of United Cigar Stores to the new combine would effect some depreciation in the equities behind Tobacco Products shares this company will come near to being the dominant factor in the affairs of the Union & United, and at all events will not relinquish control of United Cigar Stores. As a result of its own operations last year, the company earned $11 per common share, on the basis of 659,330 common shares outstanding, a sharp advance over the $8.10 a share earned on 514,896 shares in 1925. Further, the company effected an improvement in its financial position, eliminating 1.5 millions of bank loans, while increasing its cash holdings from 1.11 millions to 4.26 millions. In view of these circumstances, and the fact that the stock at present yields a fair return, with some prospects of eventually reaching a high price level, we believe you would be justified in holding as a speculation for the time being.

GENERAL MOTORS

Will you please advise me as to the exact status of General Motors? My understanding was that trade conditions affecting the automobile industry have been showing a slowing down, but I have just read a report regarding General Motors which would indicate that January business was the best in the company's history. Does not this indicate that higher prices for the stock might be expected? I hold 40 shares for which I paid 124 in 1926.—R. A. L., St. Louis, Mo.

General Motors appears to occupy a rather unique position in the automotive industry. While trade depreciation affecting this line has been in process for quite some time, and indeed several of its large competitors have experienced a sharp falling off in earnings, General Motors continues to roll up new records in both output and earnings. Hence, based on Detroit estimates of sales to dealers it is expected that the Corporation's total sales for the first month reached a new record for the period, running very close to 100,000 vehicles. This compares with 76,332 in January, 1926. As January is regarded as the poorest month in the first quarter, the tremendous gain in factory and retail sales last month would indicate that the company is in a fair way toward a new high sales record for the quarter. On the basis of these estimates, it would not be surprising if General Motors earned somewhere between $4.50 to $5 a share on the 8.7 million shares of common outstanding, for the period. Hence, it is not surprising that General Motors has many friends in financial circles, and the stock is eagerly bid for during reactionary periods. However, notwithstanding the excellent showing now being made by the company, a period of keener competition with a lower margin of profit clearly appears in prospect, something quite certain to affect earnings in months to come. As the market invariably discounts the future, it would appear that considerably higher price levels for General Motors stock cannot reasonably be expected. Hence,

we believe it would be advisable for you to accept your profits.

REMINGTON TYPEWRITER

As the holder of 50 shares of Remington Typewriter I am very much interested in the recent developments in the affairs of this company. Do you think that the new combine as outlined in the press will work out to the advantage of present holders of Remington? I have almost 75 points profit on this stock and am wondering whether I should accept my profit or transfer to the new security.—G. L. F., Buffalo, N. Y.

Remington Typewriter shares were advanced in a spectacular manner subsequent to the announcement that the directors had improved the creation of Remington Rand Inc., a holding company formed to consolidate Remington Typewriter, Rand Kardex Bureau Inc., Dalton Adding Machine, Baker-Vawter Loose-Leaf Ledger Co. of Benton Harbor, Michigan, and one or more unidentified companies. According to announcements, Remington common stock will be exchanged at the rate of 4½ shares of common of the new company for each share of Remington common. On completion of the exchange of the securities of the various companies, the new concern will nave 14.99 millions of 7% cumulative 1st preferred stock, 5.74 millions of 8% cumulative second preferred and 1,289,868 common shares of no par value. It is understood that the company will inaugurate dividends on the common stock at the annual rate of $1.60, which, on the basis of exchange, would correspond to $8 per share on the present Remington stock. Experience has proved that consolidations such as this, where capably managed, permit of substantial operating economies, while placing the combine in a strong trade position. However, inasmuch as you have a very substantial profit on your Remington shares, it would seem good policy to accept them. Possibly you will be able to acquire the new shares to good advantage at a later date.

CLUETT PEABODY

Please give me an expression of opinion in regard to Cluett, Peabody. I own 60 shares of the stock purchased in 1926 at $64 a share. The stock is now selling at about that figure, but in view of the sharp falling off in earnings last year I am somewhat worried. Do you think I should continue to hold?—S. A. R., Birmingham, Ala.

The report of Cluett Peabody & Company covering operations for the 1926 year showed net profit of $1,772,223, after depreciation, taxes, etc., equivalent after preferred dividend to $6.51 earned on the 192,391 no par shares outstanding. This compares with $2,242,699, or $8.58 a share on the common in 1925. After all deductions, including dividends, the company transferred something under $300,000 to surplus account. While it is true that the item of good-will was reduced from 9 millions to 6 millions, this was effected by deduction from the profit and loss surplus of previous years and hence, does not go very far toward balancing the otherwise poor showing of 1926. During the year cash holdings were reduced from approximately 1.97 millions to 1.38 millions, while $650,000 in preferred stock in the

treasury disappeared entirely from the balance sheet. In view of these circumstances, while it would appear that the present dividend might be regarded as reasonably secure, the margin remaining after payment of the same hardly forms a solid foundation on which to base the expectation of price appreciation in the reasonably near future. While this stock was a few months ago recommended as a speculation, in view of recent developments we are inclined to believe your funds could be employed to better advantage elsewhere. A transfer from this stock to one of the promising rails, such as Great Northern preferred should work out to your advantage.

CREATING A $50,000 ESTATE WITH $20,000

(*Continued from page* 823)

of the total estate values. In effect, it is a paid up policy in twelve years at a rate equal to around $18 a thousand, as compared with the rate of $24.50 for the regular Twenty-Payment Policy. Still, for the sake of other advantages such as added safety, convenience and a well rounded investment program, we would not advocate concentration of the total fund in this form of insurance-investment combination.

The value of this plan is strictly and exclusively that of an investment program to create a perpetual estate. To obtain this end with the greatest certainty and the lowest cost, all other considerations are sacrificed. The investment in B. & L. shares, for example, is not an investment in the strictest sense of the word because it is designed for the special purpose of supporting insurance and not to provide an income in old age. For the same reason, cash surrender values and loan values are not calculated in the accompanying chart. Nevertheless they do exist. For example, the cash surrender value of the three insurance policies would be adequate (in an emergency) to support payments on the ordinary life policy over a normal span of life and thereby release the $5,000 investment account to provide for essential expenditures in later years. Such diversions from the original program are made only at the expense of the value of the estate, which, if left undisturbed, is represented in $5,000 investments and $45,000 insurance contracts—a total value, largely free from inheritance tax deductions, of a round Fifty Thousand Dollars.

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CAN WE WORK LESS AND EARN MORE?

(*Continued from page* 791)

"For Satan finds some mischief still for idle hands to do."

On Bankers' question No. 4 many of the respondents record their energetic opposition to financing five-day week concerns with capital NO.'s, rows of exclamation marks, "absolutely not's," "Never's" "not in a thousand years"; and one writes "Hell, No!"

From Labor's Standpoint

William Green, president of the American Federation of Labor, declares that he is especially desirous of making two points plain: First, that the new program is absolutely in harmony with the general tendency of American industry and that it will not be pushed to the embarrassment of industry; second, that the program has absolutely no ulterior motive of increasing the number of jobs for the same amount of production.

He lays emphasis on the theory that the time is ripe for the gradual introduction of a dividend for labor in the form of more leisure. He expects that ways will be found to declare this dividend without reducing the week's earnings or the week's product. "The American labor movement," he writes, "is strongly in favor of the five-day work week, wherever it is possible. We will work for progressive reduction of hours, wherever this may be accomplished without retarding industrial progress."

Although twenty-six of those replying to the labor questions are ready for the use of the strike weapon sooner or later to enforce the short week, labor opinion is not only largely but emphatically against making it a strike issue. The outstanding leaders are not inclined to rock the boat for the sake of accelerating the adoption of a program that they regard as inevitable. They emphasize their belief that the era of peaceful adjustment has arrived in all relations between American employers and labor.

The question that most divides labor leaders is this: "Would the average worker rather have more wealth than more leisure?" A straight answer to this question involves setting aside personal bias. "I can not lie" runs one answer, "the average worker would rather have more pay than more leisure." The negative answers to this question are so qualified and the number in the doubtful column so large, that it is a fair inference that at the moment the average worker is probably more interested in more money than in more leisure.

Scores of the answers explain that what the workers really want and should have is more of both, but the

(*Please turn to page* 850)

HOW WOULD WAR AFFECT THE BUSINESS LIFE OF THE NATION?

(Continued from page 798)

This scramble for inventories would raise prices in practically every staple line, thus fostering speculation in commodities.

The installment plan type of buying would shrink to smaller proportions for two reasons. The first is that the need for conserving large sums in inventories would make it difficult for the retailer to finance his customers. The second would be the diminished production of pleasure cars, initially. The downward tendency in price in the automobile industry would be halted by the advance in steel prices, due to competitive war uses for steel.

In brief, the producers of raw materials would again be in the saddle. Whereas today the practice of hand-to-mouth buying results in everybody shifting the burden to the ultimate raw materials producer, in war time the situation would reverse. These producers of raw materials would be the ultimate sources of supply from whom those anxious to increase inventories would have to derive their supplies. Chronically bad industries such as leather and bituminous coal would prosper. Agriculture would again be in a better position, even if cotton exports were cut. The farmer, in the wheat country, could dictate a high government fixed price. On the other hand, exporters of finished goods would be unhorsed. The factories would turn out so much more either for temporary war use or for domestic inventory accumulation that the exporter would be left high and dry.

Building construction of apartments would decline but not nearly so much as during the last war. The reason is that with our tremendous plant capacity, there would not be anything like the deflection from home to industrial construction that marked the hectic days of the last war.

As for companies connected directly with war, such as steel and iron, shipbuilding, electrical apparatus, etc., they would come near to registering their spectacular market run-ups of the last war. With little temptation to sink funds into properties, though, they would have corporate surpluses available for investment, so that the yield on bonds would not be forced up to anything like the extent of the last war.

The rails, too, as a result of their excellent physical condition would not show a traffic hopelessness that was theirs in 1916. Incidentally, the motor truck would come into its own as the rails would have to clear off short-hauls in order to cope with the problems of speedy long hauls. Public utilities, having to face a more friendly public spirit than they inherited in 1914, would suffer, but there would be a greater elasticity in the rate structure, so that their difficulties would not be as great as in 1914-21. The hydro-electric section of the utilities would come off best, as it is least affected by fuel or labor costs.

Thus, every important tendency of "Coolidge prosperity" would be reversed. Whether it is bonds versus stock, rails versus industrials, utilities versus industrials, inventories versus hand-to-mouth buying, installments versus cash, agriculture versus consumer, raw materials versus finished goods, all would execute a right about face. Nothing could more dramatically illustrate the fact that today *the United States is geared for peace.*

From the financial viewpoint a war would cause unhappy results. With the present thinning of the reserve ratio among member banks, it follows that the financial shock of the next war would be greater than that of the last despite larger corporate surpluses available for investment. Our funded debt would require higher interest rates in view of this credit tightening. The burden of taxation would be felt all the more. The restoration of peace tendencies in economic life could not be superimposed on as rapidly growing an industrial system as in 1920. Our depression in the post-war epoch would be much more serious. It might prove a real menace—a long crisis such as that of 1893-7.

(*Continued from page* 848)

protagonists of the short week declare that leisure is more necessary for the general welfare now than more income. It will be noted that while only eleven of the labor voters flatly oppose the five-day week, twenty-three of them believe that the world (and by that they mean the United States) has not reached the point when it is better to play more than to produce more. As a rule, the respondents view Ford's practice of the five-day scheme with cold suspicion. They don't want his kind of a five-day week, which they interpret as compressing six days of already too strenuous toil into five still more strenuous days to realize the same week-earnings.

A goodly number frankly differ with Mr. Green; they view the five-day week as a cure for unemployment and overproduction, boldly stating that it will increase the number of workers necessary to meet the present volume of production. Others argue that the five-day week is merely a problem of good management, elimination of waste and continuous production. They dwell on the large number of idle days for plant, investment and men in the year now, of the occasional and seasonal shutdowns and curtailments; and argue that sustained production would easily meet the problem of more or equal production in less nominal working time. Some forty-three admit with or without qualification that industry can not produce as much in a five-day week as in six days; without radical improvements. Some are as scornful of the idea as most of the manufacturers are. But practically all think that it is eventually possible to attain more leisure and more production per labor unit.

It is to be regretted that lack of space makes necessary a cursory review of the labor replies. They would make a book themselves. But labor should be rendered this tribute: It is the writer's impression after a study of these communications that America should be devoutly thankful that it has a labor movement that is so sound, so patient, so patriotic, so appreciative of the goods it has, so admiring of the genius of industrial leaders and executives, and so devoted to the labor saving machine.

Space must be taken, however, to mention the outspoken opposition of one of Mr. Green's lieutenants to the American Federation of Labor's leader's program. "The International Printing Pressmen and Assistants Union of North America," writes its president, George L. Berry, "has very frankly declared that it does not consider the time propitious to even think about a further reduction in the work week. You can't pay money out unless money is made as the result of work. Our time and attention must be given to promoting the spirit of co-operation and to the development of ingenuities to succeed those that have brought us to the conditions we now enjoy. We declare frankly that we are anxious to increase productivity so that the

three elements (employer, labor and the public) may profit." Mr. Berry mentions the sad state of agriculture as one of the reasons why labor should not push for a larger percentage of the industrial product at this time. He considers that the farmers are suffering from an unbalanced economic condition and implies that until balance is restored industrial workers would do well not to press for a still larger share. Many of the labor correspondents share Mr. Berry's opinion that labor in America has already achieved an enviable position and should proceed further only with the utmost discretion. On the other hand, much is made of the fact that the 5-day week is already a fixture in many industries—to an extent the public does not realize as is shown by a recent review of the U. S. Department of Labor.

As Manufacturers See It

As a rule the manufacturers are wrathy over the five-day week idea. They do not hesitate to assert that its theoretical adoption at the Ford plant was a brilliant stroke of publicity united to a masterly adaptation of the Ford production schedule to the failing popularity of the Ford car. For the workers, the plan as Ford applies it, they think, will turn out to be a very brassy gold brick. From a vast number of hard-pushed workers Ford will now skim the cream of those who can be pushed still harder. The skimming will take time, and in that time Ford will enjoy a small wage-cost. Meanwhile, more leisure for the masses and more cars; up goes the "saturation" point. Afterwards the supermen remaining will keep the wage-cost lower than formerly. However, it isn't Ford labor's fate that distresses other manufacturers so much as the fear that he has started something, quite uselessly, that is likely to plunge placid industry into turmoil. Hater of labor unions, as Ford is—the commentary runs—he has provided the unions with a plausible issue on which to live and thrive when the general industrial progress and enlightenment of America had about deprived unionism of any reason for existence. The manufacturers feel that labor has attained its ultimate share for the time being, probably more than its share if dull days are ahead. They are almost unanimous in the belief that the real motive of organized labor is to increase its percentage of the common product, through reducing the number of working hours and holding the present pay. So far as the replies indicate, capital is considerably less tolerant of organized labor than vice versa. The whole happy family of triumphant and prosperous American industry, it opines, is to be imperiled solely to furnish slipping labor organizations with a new issue.

The manufacturers are strong for the Bible and the fourth commandment at this time. Many assert that greater leisure would be a national curse; some declare that the disinclination to labor, the love of frivolous pleasure,

the wild spending of the people, reveal national decadence. Incidentally, it is curious to note that like and equally fervid objections were made to labor's demand for a 12-hour day in New England a hundred years ago. Work, many contend, has moral values quite apart from the economic. Work is character and happiness, exercise and development. Yet one candid employer says: "So long as we all take Saturday off, on pay, to play golf or motor, I don't see how we can complain of our employes insisting that industry can do as well by them." Others think that executives had better stick closer to the job, work more, play less and eschew Atlantic City and Palm Beach before they take the front of the stage in opposition to labor's "crazy demand" for a five-day week. Judge Gary declares that a five-day week is illogical, in which he agrees with Mr. Berry of the Pressmen's International, who contends that labor has got to produce the equivalent of that lost day before it can collect for it. Some of the most advanced employers, like the Endicott-Johnson Shoe Company, mathematically prove that five days are utterly impossible in their line. Only thirty of the manufacturers concede the Ford paradox of more wealth by less work. Again and again, they declare, that what supremely interests their men is more money—with more leisure, if possible, but more money first. Some have found that their people are glad to extend the length of the working day and so get a full Saturday off, with the same pay.

A point noted by many manufacturers and emphasized by labor is that the big industries now are really, as a whole, on a five-and-one-half-day rather than a six-day basis.

This Saturday half-day is of doubtful value. Productive momentum is reached about the time the whistle blows, and the men are so intent on plans for the afternoon that they do not work with customary concentration. Of the eight industries tabulated as contemplating a five-day week, seven are already applying it, having found that it was peculiarly adapted to their conditions. A common opinion of the industrialists is that no matter how the work-week may be altered in the future a common standard is impossible. But behind many of the most energetic rejections of the five-day idea is a conviction that it is coming. Some manufacturers even solace themselves with the thought that even as they survived and prospered on an eight-hour day and a 44-hour week, so the 40-hour week may not be insuperable.

On the whole, the symposium indicates that the five-day week is off to a better start than the eight-hour day had when it was novel. It also indicates that labor will not sacrifice "well-enough" to get "better" with undue haste, and will use the issue for the present more as an exercise than a deadly weapon.

TEXAS & PACIFIC NEARS DIVIDENDS

(*Continued from page 803*)

COMMODITY DISTRIBUTION

	1925	1915
Prod. of Agriculture	22.39%	30.77%
Prod. of Animals	2.54	5.54
Prod. of Mines	18.23	19.88
Prod. of Forests	16.84	14.19
Manufactures & Miscellaneous	37.00	23.62
Less than Car Load	3.00	6.00
Total	100.00%	100.00%

The most important items of freight at present are quarry products, lumber and petroleum, each constituting about 12% of the total tonnage.

Physical Improvement Exceptional

Extensive improvement and upbuilding of the property was effected during the receivership and subsequent period. Thus between the end of 1915 and the end of 1925 $36,000,000 net of additions and betterments about equally divided as between road and equipment was added to the property account. Virtually all of this program was met out of current receipts. Net earnings in the same period totaled $30,000,000 of which less than $2,000,000 representing dividends on the new preferred since lifting of the receivership in May, 1924, has been paid out. Most of the balance has been supplied through the depreciation account, also taken out of net receipts, as over $3,500,000 has been added to this bookkeeping reserve in the ten-year period. In effect the expense of reorganization and settlement of the Missouri Pacific judgment added but $8,000,000 to fixed interest debt while, of course, the mortgage obligations were reduced nearly $24,000,000 in the reorganization.

The betterment program has been entirely of an intensive nature involving the upbuilding and strengthening of roadway and replacement of old and obsolete equipment with modern capacity cars and motive units. Prior to 1910 the heaviest rail on the Texas & Pacific was 75 pounds and not all of the main line mileage was of that standard. As of December 31, 1925, over 77% of the main line mileage had 85 pound rail or heavier and none below 75 pounds, while the major portion of the branch line was of the latter standard. Although the company had slightly less locomotives and freight cars than 10 years earlier, the average tractive power of the former had been raised from less than 24,000 pounds to over 39,000 pounds, or over 60%, and the average capacity of the latter from 33.2 tons to 36.3 tons, or about 10%. The adequacy of recent maintenance and the success of the rehabilitation program is strikingly revealed in figures of bad order equipment. As of January 1, 1923, following the shopmen's strike, 29.3 of the company's locomotives and 16.2 of its freight cars were out of order. On January 1 last

(*Please turn to page 855*)

Unlisted Utility Bond Index

Holding Companies

	Investment Grade	Bid Price	Asked Price	Yield
American Gas & Electric 6s, 2014	B	103	103½	5.79
American Power & Light 6s, Series A, 2016	B	102¾	103½	5.79
Continental Gas & Electric 6s, 1947	B	104¼	105	5.59
National Power & Light Deb. 6s, 2026	B	99	...	6.07
Southwestern Power & Light 1st Mtge. 5s, 1943	B	97¼	98	5.18

Power Companies

	Investment Grade	Bid Price	Asked Price	Yield
Alabama Power Co. 1st Ln. & Ref. 6s, 1951	A	104¾	105½	5.58
Appalachian Power Co. 1st 5s, 1941	A	101	101¾	4.82
Arizona Power 1st 6s, 1933	A	100¾	101½	5.72
Binghamton Lt., Heat & Power 1st Ref. 5s, 1946	B	99½	100¼	4.98
Central Ga. Power Co. 1st 5s, 1938	B	98¼	99	5.11
Consumers El. Lt. & Pwr. New Orleans, 1st 5s, 1936	B	99	100	5.00
Eastern N. J. Power 1st 6s, 1949	A	102¼	103	5.75
Great Western Power Co. 1st Ref. 6s, 1952	A	104	104¾	5.64
Idaho Power Co. 5s, 1947	A	98½	99¼	5.06
Illinois Power & Light 1st & Ref. 6s, 1953	B	103⅝	104	5.70
Kansas Electric Power 1st Series A, 6s, 1937	B	104	105	5.35
Memphis Power & Light 5s, 1948	A	100¼	101	4.96
Mississippi River Power 1st 5s, 1951	A	101¼	102	4.85
Nebraska Power Corp. 1st 6s, 1949	A	103½	104¼	5.75
Nevada-California Electric 1st 5s, 1956	B	93¼	94	5.41
New Jersey Power & Light 1st 5s, 1936	B	100	100¾	4.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A	104¾	105¾	5.62
Ohio Power Co. 1st Ref. 7s, 1951	A	105¾	106½	6.46
Puget Sound Power & Light 5½s, 1949	A	100	100¾	5.44
Southern California Edison Ref. 5s, 1951	A	97¾	98½	5.10
Tennessee Power Co. 1st 5s, 1962	A	98	98¾	5.07
Texas Power & Light Co. 1st 5s, 1937	A	100	100¾	4.96
Washington Coast Utilities 1st Mtge. 6s, 1941	B	104	105½	5.45
Yadkin River Power 1st Mtge. 5s, 1941	A	101	101¾	4.82

Gas and Electric Companies

	Investment Grade	Bid Price	Asked Price	Yield
Burlington Gas & Light 5s, 1955	B	97½	98¼	5.11
Cons. Cities Light, Power & Traction 1st 5s, 1962	B	87¼	88	5.80
Dallas Power & Light 6s, 1949	A	105¼	106	5.53
Indianapolis Gas Co. 1st 5s, 1952	B	99¾	100½	4.96
Oklahoma Gas & Electric 5s, 1950	A	95¾	96½	5.26
Pacific Gas & Electric 1st & Ref. 5½s, 1952	A	103½	104¼	5.19
Portland Gas & Coke 1st 5s, 1940	B	99½	100¼	4.97
Seattle Lighting Co. Ref. 5s, 1949	B	94½	95½	5.34
Tri-City Railway & Light 5s, 1930	B	98	99	5.29
Twin State Gas & Electric Ref. 5s, 1953	A	101	101¾	4.87
United Light & Railways 6s, 1952	B	102¾	103¾	5.71
Wilmington Gas Co. 5s, 1949	B	97½	98½	5.11

Traction Companies

	Investment Grade	Bid Price	Asked Price	Yield
Brooklyn City & Newton 1st 5s, 1939	B	85	...	6.80
Columbus Street Railway 1st 5s, 1932	B	97	98	5.42
Galveston-Houston Electric Railway 1st 5s, 1954	B	69	71	7.49
Nashville Railway & Light 5s, 1953	B	99½	100¼	4.98

Telephone and Telegraph Companies

	Investment Grade	Bid Price	Asked Price	Yield
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A	101	102	4.83
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A	99½	100½	4.94
Ohio State Telephone Co. Ref. 5s, 1944	A	101¼	102	4.83
Southern California Telephone 1st & Ref. 5s, 1947	A	100¾	101½	4.88

Yield computed at the asked price. Average yield 5.37%.

Unlisted Utility bonds have at last shown an advance comparable to that scored by the bond market generally. It is all the more notable since the decline in yields of unlisted utilities have occurred at a time when bond yields have been more static in the listed market. Recession fractionally in Home Telephone of Spokane and Chesapeake-Potomac issues makes these bonds quite attractive as gilt-edged investments. The tendency throughout 1926 to meet public utility requirements by bond issues, rather than preferred stocks, continues apace and remains the one factor that has prevented the unlisteds from making greater gains.

(*Continued from page 853*)

these ratios stood at 15.5% and 5.7% respectively.

The improvement in the physical capacity of the road has, of course, resulted in increased efficiency of operation. Comparing the statistics of revenue freight in 1925 with those of 1915, an increase in tonnage from 7.2 millions to 8.3 millions, or approximately 25%, took place. The average haul, however, declined from 189 to 170 miles, or about 10%, the freight density increasing from 730,000 ton miles per mile of road to 898,000, or over 20%. The important accomplishment was in handling this increase with 3,640,000 train miles, or 25% less train miles than the 4,940,000 required in 1916 by increasing the average train load from 278 to 465 tons, or by 67%. Thus while the ton-mile revenue increased from 9.23 miles to 14.84 miles, or by only 60%, train mile earnings increased from $2.568 to $6.902, or by 169%.

Revenue Gains Continuing

In 1926 Texas & Pacific had the largest gross revenues of any year since 1920 and with a further increase in the train load and a reduction in train mileage was able to show record operating income. Net income, after all charges, exceeded all previous years with the exception of 1917. With due allowance for the character of operating expense, 1926 yielded clearly the better results, as indicated in the following comparative ratios of operating expenses to gross revenues:

	1926	1917
Maintenance	33.6%	22.3%
Transportation expense	35.1%	39.7%
Total operating exp.	74.6%	67.8%

The comparison reflects, obviously, increased efficiency in the reduced transportation ratio and a higher standard of upkeep in the large appropriation to maintenance.

It would appear that the latter item might safely stand a further reduction in the near future, as the account has undoubtedly been forced to bear a share of the general betterment program in recent years. Further increment to earnings must come from increased tonnage or longer average haul, which has shown a tendency to decline. Improvement of both factors is in prospect during 1927 as the result of opening the new oil field at Midland. In its present condition Texas & Pacific should be able to save the major portion of an increase in revenues for net income. A pronounced trend to larger receipts is to be noted in the fact that 1926 freight revenues were the largest the company has ever realized, the figure for total revenues having been cut down by a further decline in passenger receipts, which were just half of those realized in 1920, the record year. There are indications that the continued loss of passenger business has about run its course.

(*Please turn to page 859*)

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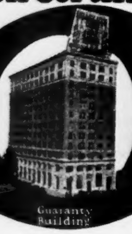

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New York Curb Market

IMPORTANT ISSUES

Quotations as of Feb. 16

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Albert Pick Barth wi†	13⅛	12⅞	13
Aluminum Co. of Amer.	72	70¼	70¼
Amer. Gas & Elec. (1)††	100⅛	68¼	70¾
Amer. Seating (3)	45	42⅝	43⅝
Amer. Super Power A (1.2)†	29⅛	27¼	28¾
Amer. Super Power B (1.2)†	30	28⅛	29½
Beacon Oil*	20⅛	17¾	17⅞
Celotex Co. (3)	83	75	¶75
Centrif. Pipe (1)*	18⅞	16⅛	16¾
Cities Service New (1.2)†	57⅞	50½	57⅞
Cities Service Pfd. (6)†	92¼	91⅛	91⅝
Consol. Gas of Balt. (2½)	52⅜	50⅞	51⅝
Consolidated Laundries (2)*	22⅝	20¼	21⅛
Curtiss Aero†	22½	19	20⅝
Curtiss Aero Pfd. (7)†	89	84¾	89
Durant Motors†	10	5¾	10
Elect. Bond & Share (1)†	72¾	68	68¼
Electric Investors†	37	33	33½
Fed. Purchase "A" (3)*	27½	22¼	22½
Fed. Purchase "B" (1)*	6¼	2	2
Ford Motor of Canada (20)†	490	411	485
General Baking A (5)*	63⅜	56¼	59
General Baking B*	7¼	5⅞	6⅛
Gillette Safety Razor (3)†	95	91¼	91¾
Glen Alden Coal (10)†	179	166	171
Goodyear Tire & Rubber†	31⅞	28½	¶30¼
Gulf Oil (1.5)†	96½	92¼	95⅛
Happiness Candy Store (50c)	7	6	6⅛
Hecla Mining (2)†	15¾	12⅝	13
International Utilities B	5⅛	3	¶4
Land Co. of Florida†	36	26⅛	28
Lion Oil & Refining (2)*	27½	24	26⅞
Metro Chain Stores††	33¼	30¼	30¼
Mountain Producers (2.40)†	26⅞	25	26¼
New Mex. & Arizona Land†	13⅛	11¼	12¾
New Jersey Zinc	194¾	184	188
Nipissing Mining (60c)*	10¼	8	9¼
Northern Ohio Power†	12⅛	9⅞	11⅜
Pacific Steel Boiler* (1)	12¾	12	12⅛
Puget Sound P. & L.†	33¾	30¼	30⅝
Rand Kardex, new (3)	72⅛	57	67
Reo Motor (80c)†	23⅜	20	21⅜
Rickenbacker Motors*	1⅜	1	1¼
Salt Creek Producers (2½)†	32	30⅛	31¼
Servel Corporation A†	9⅞	7⅞	8½
Southeast Pwr. & Lt. new†	32½	30	30⅝
So'east Pwr. & Lt. Pfd. (4)†	69	67⅛	68⅞
Stutz Motors*	20⅜	14	20⅛
Tidewater Associated (1.2)†	23½	21⅛	22⅛
Tidewater Assoc. Pfd. (6)†	95¾	93⅝	94⅝
Trans Lux*	8⅜	6⅞	7⅛
Tobacco Products Export†	3⅞	3¼	3⅝
Tubize Artif. Silk†	175	145	175
United Electric Coal (1.10)	26½	23	24

STANDARD OIL STOCKS

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Continental Oil (1)†	22⅝	20	21¼
Humble Oil (1.2)†	62¾	58⅛	59
International Pet. (50c)†	33¾	31⅜	¶33
Ohio Oil (2)†	62½	59⅝	63
Prairie Oil & Gas†	55½	52	53⅝
Standard Oil of Ind. (2.5)†	74¼	67¼	71⅛
Vacuum Oil (5)†	104½	95⅛	103⅛

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Application made for full listing.
¶ Bid price.

DEALINGS on the Curb market have been larger, and prices were for the most part characterized by strength. Exceptional advances occurred in some of the automobile stocks, *Ford Motor of Canada* gaining about 60 points in a few days.

Interest in the shares of *Standard Oil of Indiana*, which has been quite marked during the past few months is largely sustained on three factors. The first and most important of these is the sharp upturn in earnings within the past twelve months and the influence that investors believe this larger earning power will have on future cash dividend policies of the directors. Net income during the first nine months was in excess of 58 million dollars, which was several million over the full twelve months of 1925, which in itself was a new high record for earnings. A most conservative estimate for the full year is set at 72 million dollars, which is the equivalent of about $8 a share on the total stock now outstanding. With extras, the company paid out $3.50 a share during 1926 but on the basis of present earning power could easily and conservatively pay more. Even on the present basis, however, Standard Oil of Indiana is one of the most attractive issues of the entire Standard Oil group from the standpoint of income return.

In 1922, after payment of a 100% stock dividend, Standard of Indiana had a surplus of only 69 million dollars. This has largely been increased, however, as the result of profitable operations in intervening years and a conservative dividend policy. On the basis of 1926 estimated net alone, surplus is calculated to have been increased by some 40 million dollars, which would bring it to a total of 182 millions at the end of the year or approximately 80% of the total capital stock outstanding. The possibility of capitalizing this surplus in a sizable stock dividend is the second factor that sustains interest in the shares marketwise.

Last, but by no means least, is the company's exceptionally strong trade position. Through its acquisition of Pan American, it controls the largest potential crude oil supply of any oil company and is in a strategic geographical position as a buyer of mid-Continent crude. In the distribution end of the business, it is rated the largest seller of gasoline in the country. The territory in which its distribution is largely confined is considered to be the next most profitable sales territory to the Atlantic Seaboard and if anything is more satisfactory from the standpoint of competition than the latter territory. For the long range, Standard Oil of Indiana seems especially attractive. Intermediate fluctuations may, of course, slice a few points off the current market level, but at the same time the investor has no strong probability of making his commitment at a substantially better basis than the current price.

(*Continued from page 855*)

Strongly capitalized, in excellent physical condition, with an ample cash position and a large surplus, Texas & Pacific would seem in a position to inaugurate dividends on the common stock in the very near future. Largely out of earnings reinvested in the property since the beginning of the receivership, the book value of the junior stock has been built up to $200 a share, while it is worth over par, even upon the basis of the I. C. C. preliminary valuation.

Missouri Pacific's increased investment in these equities may be taken as favorable to establishment of the common on a dividend basis in the near future. No very great increase to the $7.07 share earnings of last year would be called for to thoroughly justify a $5 rate. *An ultimate offer from the parent company to absorb the minority shares of the subsidiary may reasonably be anticipated. At 60 Texas & Pacific common offers an attractive speculation.*

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$2	Assoc. Oil	$0.50	Q	3-5	3-25
..	Assoc. Oil	$0.40	Ext	3-5	2-25
10%	Canad. Pac. Ry. cm.	2½%	Q	3-1	4-1
4%	Canad. Pac. Ry. pf.	2%	SA	3-1	4-1
$2½	Chile Copper	$0.62½	Q	3-4	4-1
$1	Cuban Am. Sug. cm.	$0.25	Q	3-4	4-1
$7	Cuban Am. Sug. pf.	$1.75	Q	3-4	4-1
$7	Curtiss Aero pf	$3.50	SA	3-1	3-15
$9	Del. & Hudson	$2.25	Q	2-26	3-21
8%	Diamond Match	2%	Q	2-28	3-15
$2	Doug-Pectin	$0.50	Q	3-4	4-1
..	Doug-Pectin	$0.25	Ext	3-4	4-1
$8	Du Pont, E. I., cm.	$2.00	Q	3-1	3-15
$5	Eastman Kodak, cm.	$1.25	Q	2-28	4-1
—	Eastman Kodak, cm.	$0.75	Ext	2-28	4-1
$5	Elec. Stor. Bat. cm.	$1.25	Q	3-7	4-1
$5	Elec. Stor. Bat. pf.	$1.25	Q	3-7	4-1
$8	Foundation Co.	$2.00	Q	3-1	3-15
$5	Gen. Ry. Signal cm.	$1.25	Q	3-10	4-1
$6	Gen. Ry. Signal pf.	$1.50	Q	3-10	4-1
$5	Kennecott Copper	$1.25	Q	3-4	4-1
$7	May Dept. Strs. pf.	$1.75	Q	3-15	4-1
$2	Motor Wheel cm.	$0.50	Q	3-10	3-21
10%	North Amer. cm.	2½%	Stk	3-5	4-1
$3	North Amer. pf.	$0.75	Q	3-5	4-1
$8	Norfolk & West. cm.	$2.00	Q	2-28	3-19
24%	Packard Motor	2%	M	3-15	3-31
$5	Remington Type cm.	$1.25	Q	3-12	4-1
$7	Rep. Iron & St'l pf.	$1.75	Q	3-15	4-1
$2	St. Joseph Lead	$0.50	Q	3-9	3-21
..	St. Joseph Lead	$0.25	Q	3-9	3-21
8%	Schulte Ret. Strs. pf.	2%	Q	3-12	4-1
$1.40	Shell Union Oil cm.	$0.35	Q	3-1	3-31
$1	Tenn. Copp. & Chem.	$0.25	Q	2-28	3-15
..	Texas Corp.	10%	Stk	3-4	4-2
$3	Texas Corp.	$0.75	Q	3-4	4-1
$10	Union Pacific cm.	$2.50	Q	3-1	4-1
$4	Union Pacific pf.	$2.00	SA	3-1	4-1
$4	United Fruit	$1.00	Q	3-5	4-1
..	United Fruit	$1.50	Ext	3-5	4-1
$2	Unit. Cig. Strs. cm.	$0.50	Q	3-10	3-31
..	Unit. Cig. Strs. cm.	1¼%	Stk	3-10	3-31
$2	Vacuum Oil	$0.50	Q	2-28	3-19
..	Vacuum Oil	$0.50	Ext	2-28	3-19
$5	Young. Sh. & T. cm.	$1.25	Q	3-14	4-1
$7	Young. Sh. & T. pf.	$1.75	Q	3-14	4-1

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

	Bid	Asked
Aeolian Co., pfd. (7)	87	92
Aeolian Weber	30	35
Aeolian Weber, pfd. (7B)	100	105
Alpha Port. Cement (3)	38	40
Pfd. (7)	115	..
Aluminum Co. of Am.	72	73
Pfd. (6)	101	103
American Arch (7P)	102	105
American Book Co. (7)	132	136
Amer. Cyanamid (new):		
Cl. A (0.80P)	35	38
Cl. B (0.80P)	33⅛	35
Pfd. (6)	87	90
Amer. Dist. Teleg. (3)	66	70
Conv. Pfd. (7)	108	110
Amer. Meter Co. (7)	92	95
Atlas Port. Cement (2)	41	43
Pfd. (2.66)	43	..
Babcock & Wilcox (7)	116½	118½
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	105	107
2nd Pfd. (7) G	100	102
Bliss (E. W.) Co. (1)	20	21
1st Pfd. (4)	56	..
Cl. B Pfd. (0.60)	10	11½
Bohack (H. C.) Co. (10)	153	160
1st Pfd. (7)	98	101
Borden Co. (5)	99	101
Bucyrus Co. (7P)	200	220
Pfd. (7)	105	110
Congoleum Co. Pfd. (7)	103	106
Continental G. & El. (4.4)	220	250
Part Pfd. (8)	105	..
Prior Pfd. (7)	101	103
Fajardo Sugar (10P)	155	157
Franklin Rwy. Sup. (4)	78	82
Giant Port. Cement	60	70
Pfd. (3.5)	40	45
Hercules Powder (8)	175	180
Pfd. (7)	115	117
International Silver (6)	108	109½
Pfd. (7)	105	107
Jos. Dixon Crucible (8)	163	167
Johns-Manville, Inc., new	60	63
Pfd. new (7)	114	116
Knox Hat (5)	100	..
Pr. Pfd. (7)	97	101
Part Pfd. A (8)	90	95
Lehigh Port. Cement (3)	93	95
Leonard, Fitzpatrick, Mueller (1.5)	32	34
Pfd. (8)	116	119
McCall Corp. (2)	52	54
Manhattan Rubber (2.5)	41	44
Metropolitan Chain Stores:		
1st Pfd. (7)	98	101
2nd Pfd. (7)	97	100
Nat'l Fuel Gas (10P)	198	205
Neisner Bros.	37	38
Pfd. (7)	95	100
Phelps Dodge Corp'n (4)	120	123
Pierce, But. & Pierce (2)	27	30
Pfd. (8)	100	103
Richmond Radiator	21½	23
Pfd. (3P)	50	52
Royal Baking Powder (8P)	177	183
Pfd. (6)	100	102
Ruberoid Co. (4)	67	70
Safety Car H. & L. (8P)	127	129
Savannah Sugar (6P)	135	140
Pfd. (7)	115	118
Shaffer Oil & Ref. Pfd. (7)	90½	93¼
Sheffield Farms Pfd. (6)	100	102
Singer Mfg. Co. (10P)	382	385
Singer, Ltd. (¼)	5	6
Superheater Co. (6P)	167	171
Technicolor, Inc.	4	5¼
Valley Mould & Iron	17½	20
Pfd. (7)	80	90
Wash. Ry. & Elec. (5)	205	220
Pfd. (5)	95	..
White Rock 2nd Pfd. (10)	125	130
1st Pfd. (7)	96	99
Woodward Iron	77	82
Pfd. (6)	78	83

*Dividend rates in dollars per share designated in parentheses.
G—Guaranteed as to principal and dividend by Amer. Type Founders.
P—Plus extras.
B—Also extras on account of arrears.

DEMAND for over-the-counter stocks was selective during the past fortnight. Buyers evidently are seeking out those issues in which earnings give grounds for expectations of further improvement. In some cases, recessions were in order due to natural profit-taking and readjustments following previous advances. In the public utility group, *Washington Railway* and *Continental Gas & Electric* featured. Both issues registered substantial price enhancement. *Singer, Joseph Dixon, Royal Baking Powder* and *Knox Hat* scored good gains among the industrials. *Aluminum Company* was in good demand while *Johns Manville* continued active following the capital readjustment some time back.

The *Aeolian Weber Piano* stocks have lately been showing a strong undertone, evidently in reflection of betterment in earning power. The company paid an extra dividend of $5 a share on its 7% preferred issue in January, thus bringing arrears down to 40¼%, a similar extra having been paid last June. Net earnings available for the senior issue in the twelve months ended June 30, 1926, were $28.86 a share compared with $24.20 the year before. As the company would seem to be in a position to continue its policy of gradually liquidating the preferred dividend arrears, this issue may be regarded as an attractive spec-vestment. *Aeolian Company* 7% cumulative preferred also appears in the light of an attractive semi-speculative preferred issue. The latter company is controlled by Aeolian Weber Piano & Pianola, which guarantees dividend payments on the former's preferred shares.

Richmond Radiator common and preferred, recommended in these columns several months ago, continue to manifest strength. The preferred stock has been in good demand and has risen to new high levels. Earnings of the company in 1926 were equivalent to $7.12 a share for the common compared with $6.64 a share in 1925. The company has called a special meeting of shareholders to ratify a proposed exchange of the present preferred stock for 1¼ shares of a new 7% cumulative preferred of $50 par value. The new stock is to be convertible into common share for share. Holders of the old issue will also receive one-tenth share of common for each share of preferred in the proposed exchange. While the common has not yet been placed upon a dividend basis, earnings of the last two years would indicate that payments should be forthcoming in due course. Neither stock appears to have fully discounted its possibilities.

Texas Pacific Land Trust

Owns approximately 1,920,000 acres of land, situated in 32 Counties of the State of Texas. . . . Some of largest holdings located in Counties where oil development work has recently been instituted and is proceeding on an increasingly active scale. . . . Thus:—

In Pecos County lands owned exceed	66,000 acres
In Loving County lands owned exceed	92,000 "
In Culberson County lands owned exceed	525,000 "

The Land Trust also owns extensive acreage in Crane, Upton and Ector Counties, where recent oil developments have appeared particularly impressive.

Income from oil and mineral leases has, in recent years, been on an ascending scale:—

Oil and mineral lease income in 1924	$ 41,438
" " " " " " 1925	186,234
" " " " " " 1926 (estimated)	301,000

Due to retirement of Certificates out of accumulated revenues, equities of holders have increased notably since inception of Trust:—

Acres owned per $100 of Capital, 1888	34.0	acres (Approx.)
" " " " " " 1911	50.8	" "
" " " " " " 1921	91.2	" "
" " " " " " 1926	100.0	" "

On the basis of the present capitalization, the Texas Pacific Land Trust owns approximately one acre of land for each Sub-share now outstanding.

With the opening of 1927, Texas Pacific Land Trust was stronger financially than ever before and had the largest number of oil leases in effect in its history.

——The foregoing extracts are from an extended analysis of the Texas Pacific Land Trust in which the striking record, present scope and potentialities of this unique organization are described in detail. Copies will be furnished on request——

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——The data presented herein, while not guaranteed by us, has been compiled with care from sources we consider reliable——

Dividends

Engineers Public Service Company

Preferred Dividend No. 7

A $1.75 quarterly dividend is payable April 1, to holders of record March 4, 1927 (a) of $7 Dividend Preferred Stock, and (b) of Preferred Stock Allotment Certificates to the extent provided therein.

Stone & Webster, Inc., Transfer Agent

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of $1.00 per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on March 15, 1927 to stockholders of record at the close of business on March 1, 1927.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

Dividends

The Mengel Company

The Board of Directors of The Mengel Company February 3rd, 1927, declared the regular quarterly dividend of 1¾% on the Preferred Capital Stock of the Company, payable March 1st, 1927, to Stockholders of record at the close of business February 15th, 1927.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to this office, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., February 4th, 1927

Gold Seal Electrical Company, Inc.

250 Park Avenue, New York City.

The Board of Directors of the Gold Seal Electrical Company, Inc., has this day declared a Special Dividend of Fifteen (15c) Cents a share on the capital stock of the corporation, payable March 14, 1927, to Stockholders of record March 4, 1927. The transfer books will not be closed.

CHARLES A. WHITEMAN, Asst. Sec'y.

February 9th, 1926.

Dividends

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., February 14, 1927.

The Board of Directors has this day declared a regular dividend of $2.00 per share on the outstanding no par value common stock of this Company, payable March 15, 1927 to stockholders of record at the close of business on March 1, 1927; also dividend of 1½% on the outstanding Debenture Stock of this Company, payable April 25, 1927 to stockholders of record at the close of business on April 9, 1927.

CHARLES COPELAND, Secretary.

Meetings

REPUBLIC IRON & STEEL COMPANY

The Annual Meeting of the Stockholders of the Republic Iron & Steel Company will be held at the offices of the Company, No. 1 Exchange Place, Jersey City, N. J., on Wednesday, April 13th, 1927 at 11 o'clock in the forenoon, for the transaction of any and all business that may properly come before the meeting. Transfer books of the Company, both Common and Preferred, will close at 3 p. m. March 14, 1927 and reopen at 10 o'clock a. m., on April 14, 1927.

RICHARD JONES, JR., Secretary.

Dividends

Public Service Corporation of New Jersey

Dividend No. 79 on Common Stock
Dividend No. 33 on 8% Cumulative Preferred Stock
Dividend No. 17 on 7% Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; and 50 cents per share on the non par value Common Stock for the quarter ending March 31, 1927. Dividends are payable March 31, 1927, to Stockholders of record at the close of business March 4, 1927.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, *Treasurer.*

Public Service Electric and Gas Company

Dividend No. 11 on 7% Cumulative Preferred Stock
Dividend No. 9 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable March 31, 1927, to stockholders of record at the close of business March 4, 1927.

T. W. Van Middlesworth, *Treasurer*

The North American Company

QUARTERLY DIVIDEND No. 92
ON COMMON STOCK

A Quarterly Dividend of 2½% on the Common Stock will be paid April 1, 1927, in Common Stock at par, being at the rate of 1/40th of one share for each share held of record at the close of business March 5, 1927.

QUARTERLY DIVIDEND No. 23
ON PREFERRED STOCK

A Quarterly Dividend of 1½% (75c a share) on the Six Per Cent. Cumulative Preferred Stock will be paid April 1, 1927, to Preferred Stockholders of record at the close of business March 5, 1927.

ROBERT SEALY, Treasurer.

New York, February 14, 1927.

Meetings

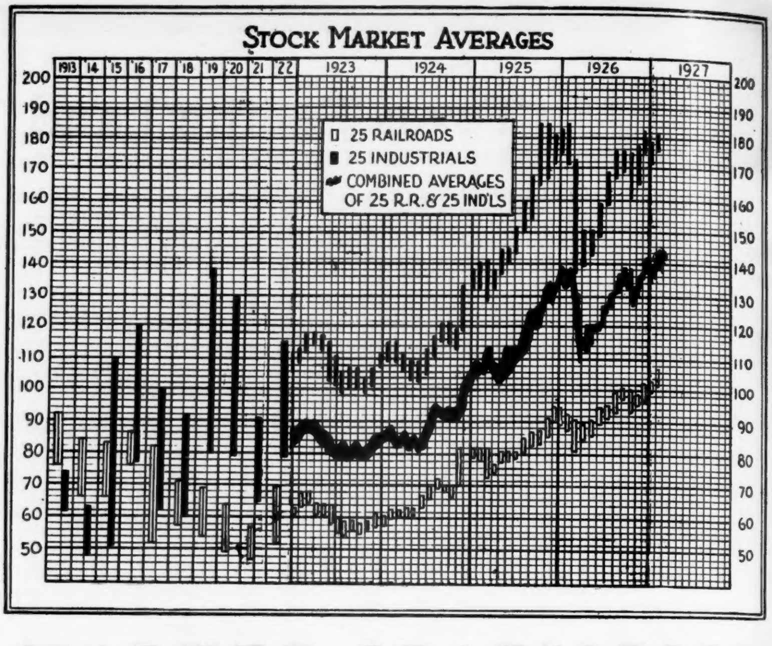
AHUMADA LEAD COMPANY

Notice of Annual Meeting

Notice is hereby given that the Annual Meeting of the Stockholders of the Ahumada Lead Company will be held at the General Office of the Company, Room 325, Pacific Southwest Bank Building, Colorado Street and Marengo Avenue, Pasadena, California, on Tuesday, the Fifteenth day of March, 1927, at eleven o'clock a. m., for the election of Directors and for the transaction of such other business as may come before the meeting, including the consideration, approval and ratification of all acts and proceedings of the Board of Directors during the past year.

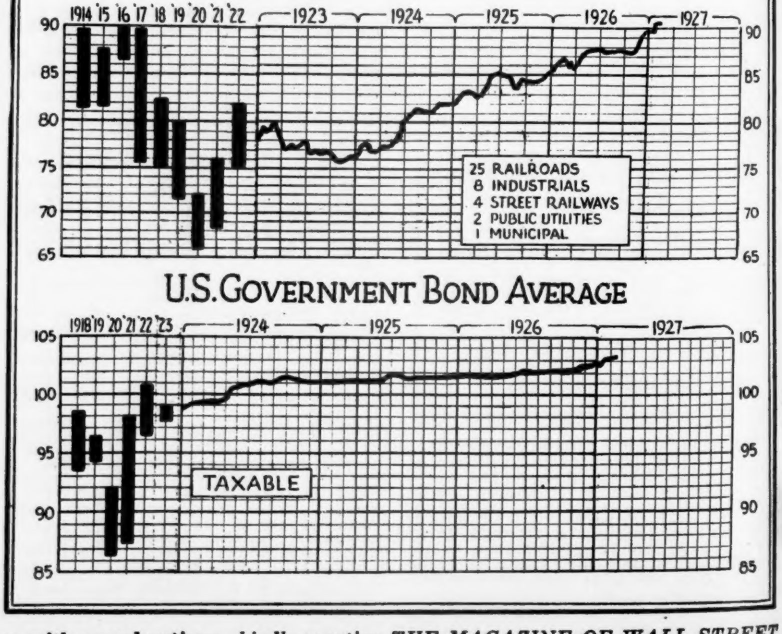
The transfer books will not be closed; but only those stockholders of record at the close of business on Saturday, February 19th, 1927, will be entitled to vote at said meeting.

JOHN F. BANKERD, Secretary.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, Feb. 3..	90.60	154.94	123.03	140.86	139.55	1,777,125
Friday, Feb. 4....	90.49	154.51	123.30	141.34	139.71	2,299,910
Saturday, Feb. 5..	90.45	154.33	123.21	141.08	140.04	1,258,420
Monday, Feb. 7....	90.38	154.31	123.29	141.44	139.66	2,158,960
Tuesday, Feb. 8...	90.40	154.86	124.48	141.22	138.86	2,386,050
Wednesday, Feb. 9.	90.40	155.29	124.17	142.16	139.40	2,845,000
Thursday, Feb. 10.	90.40	155.53	124.29	142.29	140.38	1,897,100
Friday, Feb. 11....	90.43	156.05	124.80	143.10	141.16	2,009,900
Saturday, Feb. 12..		HOLIDAY		HOLIDAY		
Monday, Feb. 14...	90.39	157.56	124.85	143.70	142.23	2,010,390
Tuesday, Feb. 15..	90.41	157.61	125.71	143.72	142.16	2,121,930
Wednesday, Feb. 16	90.43	157.41	126.71	144.40	142.32	2,469,980



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25,000	1.50	3.00
12,500	1.75	3.50
6,250 minimum	2.25	4.00

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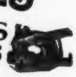

Dividends

Armour Dividends

On February 18th the Board of Directors of Armour and Company met and declared the following dividends:

ARMOUR AND COMPANY
ILLINOIS

The usual quarterly dividend (1¾%) on the preferred stock payable April 1, 1927, to stockholders of record, March 10, 1927.

ARMOUR AND COMPANY
OF DELAWARE

The usual quarterly dividend (1¾%) on the preferred stock payable April 1, 1927, to stockholders of record, March 10, 1927.

PHILIP L. REED
Treasurer

Canadian Pacific Railway Company
DIVIDEND NOTICE No. 123

At a meeting of the Board of Directors held today the following dividends were declared:
On the Preference Stock, two per cent for the half-year ended 31st December last;
On the Common Stock, two and one-half per cent for the quarter ended 31st December last, from railway revenues and Special Income;
Both dividends are payable 1st April next to Stockholders of record at three p. m. on 1st March next.
By order of the Board.
ERNEST ALEXANDER,
Secretary.
Montreal, 14th February, 1927.

American Telephone and Telegraph Company
BELL SYSTEM
150th Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on April 15, 1927, to stockholders of record at the close of business on March 15, 1927.
H. BLAIR-SMITH, Treasurer.

CRANE CO.
DIVIDEND NOTICE

At a meeting of the Board of Directors February 15th a quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Stock and one and one-half per cent (1½%) on the Common Stock was declared, payable on March 15, 1927 to Stockholders of record March 1, 1927.
H. P. BISHOP,
Secretary.
February 15, 1927.

Charters

DELAWARE Incorporator; charters; fees small; forms. Chas. C. Guyer, 901 Orange St., Wilmington, Del.

Dividends

Beneficial Loan Society
WILMINGTON, DEL.

Beneficial Loans

Profit Sharing No. 18

Another bondholders' profit sharing of 1½% covering the six months' period ending January 31 has been declared, payable on or after February 15, 1927, on all Series B profit sharing debenture bonds to owners of record January 31. This payment represents a total of 49% in profit sharing paid to the original bondholders since the Society was organized in 1913.

In addition to the above profit sharings the Society has paid its first 52 quarterly interest coupons as they matured at the rate of 6% per annum to same bondholders, making a total of 78% in interest. Original bondholders therefore have received since 1913 by interest and profit sharing payments 127% of par on their bonds.

ERNEST A. BAILEY, *Treasurer.*

UNITED STATES REALTY *and* IMPROVEMENT COMPANY
111 BROADWAY, NEW YORK CITY

The Board of Directors of this Company declared today a quarterly dividend of one dollar on each share of stock, without nominal or par value, of the Company, issued and outstanding, payable on March 15, 1927, to stockholders of record at the close of business on February 23, 1927, and an additional dividend of one-tenth of a share of capital stock, without nominal or par value, of the Company, on each share of the capital stock of the Company, without nominal or par value, now issued and outstanding, to be distributed and issued on March 15, 1927, to stockholders of record at the close of business on February 23, 1927.

For the purpose of each of said dividends, holders of record, at the close of business on February 23, 1927, of certificates for shares of common stock of the par value of $100 each, which shall not have been exchanged for certificates of stock without nominal or par value, shall be deemed the holders of record of two and one-half shares of stock without nominal or par value, for each share of common stock of one hundred dollars par value, held on February 23, 1927, as if such exchange had been made, and shall be entitled to said dividend.

The proper officers of the Company are authorized to withhold payments of aforesaid dividends in so far as said dividends are declared in respect of any outstanding one hundred dollars par value common stock certificates until such one hundred dollars par value common stock certificates shall have been surrendered in exchange for certificates of stock without nominal or par value.

Dated: New York, February 10, 1927.
ALBERT E. HADLOCK,
Treasurer.

REPUBLIC IRON & STEEL COMPANY
Preferred Dividend No. 90

At a meeting of the Board of Directors of the Republic Iron & Steel Company, the regular quarterly dividend of 1¾% on the Preferred Stock was declared payable April 1st, 1927 to stockholders of record March 14th, 1927.
RICHARD JONES, JR.,
Secretary.

Gillette

SAFETY RAZOR COMPANY

Silver Jubilee Annual Report

Twenty-five Years After 1926

It seems but yesterday that a single room on the top floor of 394 Atlantic Avenue, Boston, contained the entire manufacturing equipment of the Gillette Safety Razor Company. With one sharpening device and a few other machines, production began with a nominal capital investment of five thousand dollars.

On this, our Silver Anniversary, the Company's manufacturing plants and warehouses, in this country and abroad, occupy more than sixteen acres of floor space. Today the aggregate value of the Company's shares in the open market approximates two hundred million dollars.

Important as they are, buildings, machinery and capital represent but one phase of the growth of the Company. The development of its man-power is, to me, even more remarkable than the Gillette Company's material expansion. It seems to have been the good fortune of the Company to attract and hold unto itself men and women of unusual vision and ability.

If all the buildings were destroyed tomorrow, they could be comparatively easily replaced. The real wealth of the Company is in its brain-power and in the good-will its products enjoy in the minds of millions of people, here, abroad and in the far corners of the earth.

King C Gillette

President.

Annual Statement

ASSETS—*December 31, 1926*	
Cash	$6,214,378.41
Accounts Receivable	10,043,447.69
Accept's Receivable (See Contra)	2,649,179.12
Notes Receivable	390,017.46
Inventories	7,497,120.12
Investments	9,278,174.03
Real Estate and Buildings	5,621,640.49
Machinery and Equipment	4,171,307.07
Patents	3,459,500.00
Deferred Charges	167,424.34
	$49,492,188.73

LIABILITIES—*December 31, 1926*	
*Capital Stock and Surplus	$42,809,990.69
Reserves	4,052,825.32
Accept's Discounted (See Contra)	2,565,474.03
Accounts Payable	63,898.69
	$49,492,188.73

**Represented by 2,000,000 shares of Common Stock having no par value.*

To the Stockholders: Boston, February 8, 1927

Your Directors present herein the Company's report of operations during the year 1926.

Earnings The net earnings of the Company for 1926, including subsidiaries', are after ample reserves for taxes, depreciation and all proper charges against the year's operations.

1926 — $13,311,412 after taxes, reserves, etc.
1925 — 12,089,857 after taxes, reserves, etc.
1924 — 10,122,473 after taxes, reserves, etc.
1923 — 8,411,776 before taxes, reserves, etc
1922 — 7,602,939 before taxes, reserves, etc.

Dividends During the year three regular quarterly dividends of seventy-five cents each were paid on the Company's 2,000,000 shares.

There were also paid three extra quarterly dividends of twenty-five cents each on these shares.

On December 1 there was paid a quarterly dividend of $1.00 and an extra Silver Jubilee Dividend of fifty cents per share, making a total of $4.50 per share—$9,000,000—paid on the Company's capital stock in 1926.

Financial The annual statement shows the Company's financial position at the close of 1926.

Capital expenditures for new buildings, machinery, etc., amounting to $2,186,000, have been met from current funds.

Sales The Company's sales for the year under review show a substantial increase over those of 1925, and the development of business both in America and in foreign fields has continued in a satisfactory manner, the results from the distribution in foreign fields having been particularly gratifying.

Manufacturing The two new factory additions to our Boston plant referred to in our report for 1925 have been completed and are in partial operation. These, when in full operation, will expand the Company's manufacturing capacity to 150,000 razors and from 2,000,000 to 3,000,000 blades daily.

Refinements in automatic processes continue in the Company's plants, all tending toward a greater, better and more efficient production.

The Company's Montreal plant has been operated at full capacity throughout the year to produce razors and blades to supply the ever-growing demand of its domestic trade and the increasing requirements of the British Colonies.

The Company's plant at Slough, England, has been enlarged during the year and now supplies the razor demand in Great Britain.

Conclusion The year 1926 records a further advance in the business of your Company.

There has already been booked a substantial volume of business for 1927 and we look forward to a further strengthening of your Company's position in this and the subsequent years.

The Company celebrated its Silver Jubilee September 28, 1926, and your Directors feel that the next twenty-five years may be approached with the confidence born of the past twenty-five years' knowledge and experience.

Your Directors take pleasure in again commending the Management and the employes of the Company for their zeal and efficiency in its interests.

Submitted on behalf of the Directors,

Chairman.

GILLETTE SAFETY RAZOR CO., BOSTON, U. S. A.

KNOWN THE Gillette WORLD OVER


Note the tread
BALLOON